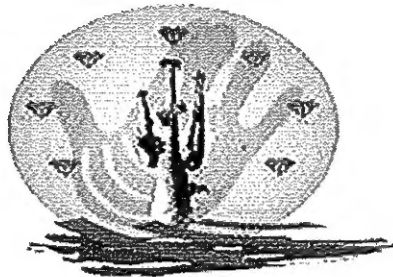


RICHTERSVELD

MUNICIPALITY



**MUNISIPALITEIT
RICHTERSVELD
MUNICIPALITY**

Die Richtersveld leuse is:

!Ghâi //Khorêdi

Dit beteken: "Strew na sukses" in Nama

[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2014

RICHTERSVELD MUNICIPALITY

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RICHTERSVELD MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

GENERAL INFORMATION

NATURE OF BUSINESS

Richtersveld Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Richtersveld Municipality includes the areas of Port Nolloth, Eksteensfontein, Kubous, Alexander Bay, Sandrift and Lekkersing.

MUNICIPAL MANAGER

DA Farmer

CHIEF FINANCIAL OFFICER

IG Valentein

REGISTERED OFFICE

Private Bag X113
PORT NOLLOTH
8280

AUDITORS

Auditor-General
Private Bag X5013
KIMBERLEY
8300

PRINCIPLE BANKERS

First National Bank

ATTORNEYS

Tobie Kotze & Van Sitterts
Schreuders

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Systems Amendment Act (Act no 7 of 2011)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1996)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations
Municipal Budget and Reporting Regulations

RICHTERSVELD MUNICIPALITY

MEMBERS OF THE RICHTERSVELD MUNICIPALITY

WARD	COUNCILLOR
1	WJP Links
2	A Jansen
3	G Beukes
4	LR Ambrosini
Proportional	EN Hausiku
Proportional	CF de Lange Richter
Proportional	T Swartbool
Proportional	J Pretorius (resign 12/04/14)
Proportional	R Jonker (elect 01/05/14)

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 95 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.



DA Farmer
Municipal Manager

29.08.2014
Date

RICHTERSVELD MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Notes	2014 R	2013 R
NET ASSETS AND LIABILITIES			
Net Assets		149 641 191	150 238 678
Capital Replacement Reserve	2	1 003 233	1 103 661
Housing Development Fund	2	633 707	692 572
Accumulated Surplus/(Deficit)		148 004 251	148 442 446
Non-Current Liabilities		10 605 174	11 682 483
Long-term Liabilities	3	1 032 919	2 595 300
Non-current Provisions	4	6 385 249	5 943 427
Non-current Employee Benefits	5	3 187 007	3 143 756
Current Liabilities		12 905 551	13 767 758
Consumer Deposits	6	819 977	762 929
Current Employee Benefits	7	2 132 867	1 796 942
Payables from exchange transactions	8	6 001 241	7 812 731
Unspent Conditional Government Grants and Receipts	9	2 879 143	2 450 908
Current Portion of Long-term Liabilities	3	1 072 323	944 248
Total Net Assets and Liabilities		173 151 917	175 688 919
ASSETS			
Non-Current Assets		163 458 902	160 467 285
Property, Plant and Equipment	12	115 359 363	112 660 600
Investment Property	13	47 481 717	47 485 172
Intangible Assets	14	423 302	116 238
Long-term Receivables	15	194 519	205 276
Current Assets		9 693 015	15 221 634
Inventory	16	148 607	95 308
Receivables from exchange transactions	17	1 385 237	1 762 780
Receivables from non-exchange transactions	18	211 425	546 365
Unpaid Conditional Government Grants and Receipts	9	1 091 527	-
Operating Lease Asset	19.1	11 786	14 753
Taxes	10.1	256 578	2 395 467
Current Portion of Long-term Receivables	15	10 814	9 513
Cash and Cash Equivalents	20.1	6 577 042	10 397 450
Total Assets		173 151 917	175 688 919

RICHTERSVELD MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 R	2013 R
REVENUE			
Revenue from Non-exchange Transactions		40 882 125	44 846 735
Taxation Revenue		7 932 459	7 101 506
Property Rates	21	7 932 459	7 101 506
Transfer Revenue		32 935 163	37 574 113
Government Grants and Subsidies	22	32 694 690	37 565 593
Public Contributions and Donations	23	240 473	8 520
Other Revenue		14 503	171 116
Fines		8 347	25 260
Actuarial Gains	5	6 156	145 856
Revenue from Exchange Transactions		24 208 523	24 267 699
Property Rates - penalties imposed and collection charges		757 704	634 006
Service Charges	24	18 011 054	16 785 647
Rental of Facilities and Equipment	25	1 925 364	1 545 194
Interest Earned - external investments	26	359 693	652 812
Interest Earned - outstanding receivables	27	1 735 139	1 604 289
Licences and Permits		27 702	108 900
Income for Agency Services		383 514	368 851
Other Income	28	1 008 354	2 588 000
Total Revenue		65 090 648	69 114 435
EXPENDITURE			
Employee related costs	29	(17 122 551)	(15 678 708)
Remuneration of Councillors	30	(1 970 165)	(1 980 882)
Debt Impairment	31	(5 561 476)	(5 566 092)
Depreciation and Amortisation	32	(4 529 357)	(4 421 622)
Repairs and Maintenance		(1 300 317)	(1 248 932)
Unamortised Discount - Interest		(60 333)	(103 499)
Actuarial Losses	5	(20 478)	(54 452)
Finance Costs	33	(946 778)	(1 041 492)
Bulk Purchases	34	(9 420 897)	(8 294 689)
Contracted Services		(490 946)	(514 336)
Grants and Subsidies Paid		(5 000)	-
Other Operating Grant Expenditure	35	(17 198 795)	(13 435 331)
General Expenses	36	(7 170 404)	(6 852 220)
Total Expenditure		(65 797 498)	(59 192 255)
Operating Surplus for the Year		(706 850)	9 922 179
Gains/(Loss) on Sale of Assets	37	109 363	-
(Impairment loss)/Reversal of impairment loss	38	-	(706 205)
NET SURPLUS/(DEFICIT) FOR THE YEAR		(597 487)	9 215 974

RICHTERSVELD MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Capital Replacement Reserve R	Housing Development Fund R	Accumulated Surplus/ (Deficit) R	Total R
Balance at 1 July 2012	1 322 549	715 664	138 128 806	140 167 019
Correction of Error - Note 39.11	-	-	855 685	855 685
Restated balance	1 322 549	715 664	138 984 491	141 022 704
Net Surplus/(Deficit) for the year	-	-	9 215 974	9 215 974
Net Surplus/(Deficit) previously reported	-	-	8 938 555	8 938 555
Effects of Correction of Errors - Note 39.12	-	-	277 420	277 420
Transfer to/from CRR	303 535	-	(303 535)	-
Property, Plant and Equipment purchased	(522 423)	-	522 423	-
Transfer to Housing Development Fund	-	(23 092)	23 092	-
Restated balance at 30 June 2013	1 103 661	692 572	148 442 445	150 238 678
Net Surplus/(Deficit) for the year	-	-	(597 487)	(597 487)
Transfer to/from CRR	682 496	-	(682 496)	-
Property, Plant and Equipment purchased	(782 924)	-	782 924	-
Transfer to Housing Development Fund	-	(58 865)	58 865	-
Balance at 30 June 2014	1 003 233	633 708	148 004 251	149 641 191

RICHTERSVELD MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 R	2013 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Taxation		6 739 585	5 793 079
Sale of goods and services		16 824 141	15 016 989
Grants		32 031 397	30 158 364
Investment Income		359 693	652 812
Other receipts		3 677 403	4 160 170
Cash payments			
Employee costs		(18 984 854)	(17 417 666)
Suppliers		(35 318 590)	(26 862 122)
Finance costs		(322 025)	(469 623)
Net Cash from Operating Activities	40	5 006 750	11 032 003
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(6 792 358)	(15 724 514)
Proceeds on Disposal of Fixed Assets		(165 241)	-
(Increase)/Decrease in Intangible Assets		(384 371)	(14 790)
(Increase)/Decrease in Long-term Receivables		9 455	8 677
Net Cash from Investing Activities		(7 332 514)	(15 730 627)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		-	74 854
Loans repaid		(1 494 640)	(1 426 885)
Net Cash from Financing Activities		(1 494 640)	(1 352 030)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(3 820 404)	(6 050 654)
Cash and Cash Equivalents at the beginning of the year		10 397 450	16 448 103
Cash and Cash Equivalents at the end of the year	41	6 577 042	10 397 450
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(3 820 408)	(6 050 653)

RICHTERSVELD MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

Notes	Original Budget	Budget Adjustments	Final Adjustment Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
	R	(L.O. s28 and s31 of the MFMA)	R	(L.O. s31 of the MFMA)	(L.O. Council approved by-law)	R	2014 R	%
ASSETS								
Current Assets								
Cash	448 448	(235 288)	211 180	-	-	211 180	270 368	28.03%
Call Investment Deposits	15 950 967	(16 565 696)	381 271	-	-	381 271	6 306 674	1511.84%
Consumer Debtors	4 124 438	7 283 465	11 407 903	-	-	11 407 903	1 539 971	-86.50%
Other Debtors	288 669	1 590 518	1 879 187	-	-	1 879 187	325 054	-82.70%
Current Portion of long-term receivables	237 520	(78 172)	159 348	-	-	159 348	10 814	-93.21%
Inventory	343 057	(184 767)	158 290	-	-	158 290	148 607	-5.12%
Total Current Assets	21 397 099	(7 189 920)	14 207 179	-	-	14 207 179	8 601 488	-39.46%
Non-Current Assets								
Long-term receivables	224 287	(6 816)	217 471	-	-	217 471	194 519	-10.55%
Investments	-	-	-	-	-	-	-	-
Investment Property	40 922 500	9 011 689	49 934 189	-	-	49 934 189	47 481 717	-4.91%
Investment in Associates	-	-	-	-	-	-	-	-
Property, Plant and Equipment	111 838 089	1 891 213	113 869 302	-	-	113 869 302	115 359 363	1.31%
Agricultural Assets	-	-	-	-	-	-	-	-
Biological Assets	-	-	-	-	-	-	-	-
Intangible Assets	225 856	(105 205)	120 651	-	-	120 651	423 302	250.85%
Other Non-Current Assets	-	-	-	-	-	-	-	-
Total Non-Current Assets	153 310 732	10 890 881	164 141 593	-	-	164 141 593	163 458 902	-0.42%
TOTAL ASSETS	174 707 831	3 640 941	178 348 772	-	-	178 348 772	172 060 390	-3.53%
LIABILITIES								
Current Liabilities								
Bank Overdraft	-	-	-	-	-	-	-	-
Borrowing	1 150 000	-	1 150 000	-	-	1 150 000	1 072 323	-6.75%
Consumer Deposits	1 401 003	153 557	1 554 560	-	-	1 554 560	819 977	-47.25%
Trade and Other Payables	5 643 787	(133 375)	5 510 392	-	-	5 510 392	7 788 857	41.35%
Provisions	10 890 577	136 741	11 027 318	-	-	11 027 318	2 132 867	-80.66%
Total Current Liabilities	19 085 347	156 923	19 242 270	-	-	19 242 270	11 814 024	-38.60%
Non-Current Liabilities								
Borrowing	2 125 941	(570 100)	1 555 841	-	-	1 555 841	1 032 319	-33.61%
Provisions	10 890 577	(1 511 549)	9 379 028	-	-	9 379 028	9 572 256	2.06%
Total Non-Current Liabilities	13 016 518	(2 081 649)	10 934 869	-	-	10 934 869	10 605 174	-3.02%
TOTAL LIABILITIES	32 101 865	(1 924 726)	30 177 139	-	-	30 177 139	22 419 198	-25.71%
NET ASSETS								
Accumulated Surplus/(Deficit)	140 748 453	6 375 353	147 123 806	-	-	147 123 806	148 004 251	0.60%
Reserves	1 857 513	(809 686)	1 047 827	-	-	1 047 827	1 636 940	56.22%
Minorities' Interests	-	-	-	-	-	-	-	-
TOTAL NET ASSETS	142 605 966	5 565 667	148 171 633	-	-	148 171 633	149 641 191	0.99%

RICHTERSVELD MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

Notes	Original Budget	Budget Adjustments (L.O. 328 and 331 of the MFMA)	Final Adjustment Budget	Shifting of Funds (L.O. 331 of the MFMA)	Virement (L.O. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	2014 R	%
REVENUE								
Property Rates - Penalties & Collection Charges	8 367 573	(465 036)	7 902 537	-	-	7 902 537	7 932 459	0.38%
Property Rates - Electricity Revenue	687 951	123 546	811 497	-	-	811 497	757 704	-6.63%
Service Charges - Water Revenue	9 053 240	(805 164)	8 248 076	-	-	8 248 076	7 517 809	-8.85%
Service Charges - Sanitation Revenue	3 946 936	1 271 435	5 218 371	-	-	5 218 371	4 508 044	-11.92%
Service Charges - Refuse Revenue	1 897 004	(218 744)	1 678 260	-	-	1 678 260	1 467 833	-12.54%
Service Charges - Other Revenue	1 828 819	20 439	1 849 258	-	-	1 849 258	1 759 783	-4.84%
Rental of Facilities and Equipment	2 796 465	(270 062)	2 526 373	-	-	2 526 373	2 757 575	9.15%
Interest Earned - External Investments	1 731 634	231 343	2 023 197	-	-	2 023 197	1 925 364	-4.84%
Interest Earned - Outstanding Debtors	744 376	(395 988)	348 378	-	-	348 378	359 693	3.25%
Dividends Received	1 833 374	(18 341)	1 815 033	-	-	1 815 033	1 735 139	-4.40%
Fines	22 018	(12 021)	9 997	-	-	9 997	8 347	-16.50%
Licences and Permits	146 947	(146 447)	500	-	-	500	27 702	5440.44%
Agency Services	222 225	75 317	297 542	-	-	297 542	383 514	28.88%
Transfers Recognised - Operational	15 592 462	(629 961)	14 962 500	-	-	14 762 500	27 161 410	83.99%
Other Revenue	1 804 102	(652 546)	1 141 556	-	-	1 141 556	1 014 510	-11.13%
Gains on Disposal of PPE	-	71 932	71 932	-	-	71 932	109 363	52.04%
Total Revenue (excluding capital transfers and contributions)	50 575 045	(1 970 138)	48 604 907	-	-	48 604 907	59 426 258	22.26%
EXPENDITURE								
Employee Related Costs	17 208 115	159 810	17 367 925	-	-	17 367 925	17 143 029	-1.29%
Remuneration of Councilors	2 122 559	(82 670)	2 039 889	-	-	2 039 889	1 970 165	-3.42%
Debt Impairment	5 837 465	(5 337 465)	500 000	-	-	500 000	5 861 476	1012.30%
Depreciation and Asset Impairment	-	5 053 500	5 053 500	-	-	5 053 500	4 529 357	-10.37%
Finance Charges	346 433	(132 579)	213 854	-	-	213 854	946 778	342.72%
Bulk Purchases	9 146 464	737 903	9 884 367	-	-	9 884 367	8 420 887	-4.69%
Other Materials	-	-	-	-	-	-	-	-
Contracted Services	671 218	(242 285)	428 934	-	-	428 934	480 946	14.48%
Transfers and Grants	19 638 379	12 577 562	32 215 941	-	-	32 215 941	-	-100.00%
Other Expenditure	11 088 783	(628 300)	10 472 483	-	-	10 472 483	25 734 850	145.74%
Loss on Disposal of PPE	-	-	-	-	-	-	-	-
Total Expenditure	68 069 417	12 107 476	78 176 893	-	-	78 176 893	65 797 498	-15.84%
Surplus/(Deficit)	(15 494 372)	(14 077 614)	(29 571 986)	-	-	(29 571 986)	(6 371 240)	-78.48%
Transfers Recognised - Capital	18 182 000	6 120 218	24 312 218	-	-	24 312 218	5 533 280	-77.24%
Contributions Recognised - Capital	-	-	-	-	-	-	240 473	100.00%
Contributed Assets	-	-	-	-	-	-	-	-
Surplus/(Deficit) after Capital Transfers & Contributions	2 687 628	(7 957 396)	(5 259 768)	-	-	(5 259 768)	(597 487)	-88.64%
Taxation	-	-	-	-	-	-	-	-
Surplus/(Deficit) after Taxation	2 687 628	(7 957 396)	(5 259 768)	-	-	(5 259 768)	(597 487)	-88.64%
Attributable to Minorities	-	-	-	-	-	-	-	-
Surplus/(Deficit) Attributable to Municipality	2 687 628	(7 957 396)	(5 259 768)	-	-	(5 259 768)	(597 487)	-88.64%
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	2 687 628	(7 957 396)	(5 259 768)	-	-	(5 259 768)	(597 487)	-88.64%

RICHTERSVELD MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

Notes	Original Budget	Budget Adjustments (I.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (I.t.o. s31 of the MFMA)	Virement (I.t.o. Council approved by-law)	Final Budget	Actual Outcome 2014 R	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	%
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	34 216 000	(69 988 000)	(35 772 000)	-	-	(35 772 000)	27 241 129	-176.15%
Government - Operating	14 592 000	(28 419 000)	(11 827 000)	-	-	(11 827 000)	26 498 117	-324.05%
Government - Capital	11 120 000	(11 120 000)	-	-	-	-	5 533 280	100.00%
Interest	744 000	(744 000)	-	-	-	-	359 683	100.00%
Dividends	-	-	-	-	-	-	-	-
Payments								
Suppliers and Employees	(45 600 000)	87 014 000	41 414 000	-	-	41 414 000	(54 303 444)	-231.12%
Finance Charges	(346 000)	358 000	12 000	-	-	12 000	(322 025)	-2783.54%
Transfers and Grants	(11 472 000)	10 542 000	(930 000)	-	-	(930 000)	-	-100.00%
Net Cash from/(used) Operating Activities	45.2.8	3 254 000	(10 357 000)	-	-	(7 103 000)	5 006 750	-170.49%
CASH FLOW FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	-	-	-	-	-	-	(165 241)	100.00%
Decrease/(Increase) in Non-Current Debtors	-	-	-	-	-	-	-	-
Decrease/(Increase) in Other Non-Current Receivables	-	-	-	-	-	-	9 455	100.00%
Decrease/(Increase) in Non-Current Investments	-	-	-	-	-	-	-	-
Payments								
Capital Assets	(1 150 000)	1 865 000	715 000	-	-	715 000	(7 176 729)	-1103.74%
Net Cash from/(used) Investing Activities	45.2.9	(1 150 000)	1 865 000	-	-	715 000	(7 332 514)	-1125.53%
CASH FLOW FROM FINANCING ACTIVITIES								
Receipts								
Short Term Loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-
Increase/(Decrease) in Consumer Deposits	644 226	(644 226)	-	-	-	-	-	-
Payments								
Repayment of Borrowing	(2 126 000)	9 294 000	7 168 000	-	-	7 168 000	(1 494 640)	-120.85%
Net Cash from/(used) Financing Activities	45.2.10	(1 481 774)	8 649 774	-	-	7 168 000	(1 494 640)	-120.85%
NET INCREASE/(DECREASE) IN CASH HELD		622 226	157 774	780 000	-	780 000	(3 820 404)	-588.80%
Cash and Cash Equivalents at the year begin:		15 947 887	(15 689 000)	258 887	-	258 887	10 397 450	3916.21%
Cash and Cash Equivalents at the year end:		16 570 113	(15 531 226)	1 038 887	-	1 038 887	6 577 046	533.09%

RICHTERSVELD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The standards are summarised as follows:

REFERENCE	TOPIC
GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1 (Revised)	Presentation of Financial Statements
GRAP 2 (Revised)	Cash Flow Statements
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7 (Revised)	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9 (Revised)	Revenue from Exchange Transactions
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics
GRAP 11 (Revised)	Construction Contracts
GRAP 12 (Revised)	Inventories

RICHTERSVELD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

GRAP 13 (Revised)	Leases
GRAP 14 (Revised)	Events after the reporting date
GRAP 16 (Revised)	Investment Property
GRAP 17 (Revised)	Property, Plant and Equipment
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of cash-generating assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
IGRAP 1 (Revised)	Applying the probability test on initial recognition of exchange revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distribution of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
IFRS 4	Insurance Contracts
IFRS 6	Exploration for and Evaluation of Mineral Resources
Directive 5	Determining the GRAP Reporting Framework
Directive 7	The Application of Deemed Cost on the Adoption of Standards of GRAP

RICHTERSVELD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

ASB Guide 1	Guideline on Accounting for Public Private Partnerships
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The Municipality resolved to early adopt the following GRAP standards which have been issued but are not yet effective:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 5 (Revised – Feb 2013)	Borrowing Costs	1 April 2014
GRAP 100 (Revised – Feb 2013)	Discontinued Operations (formerly known as Non-Current Assets Held for Sale and Discontinued Operations)	1 April 2014

The Municipality use the following GRAP standard to disclose information in its financial statements:

REFERENCE	TOPIC
GRAP 20	Related Party Disclosures

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

RICHTERSVELD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

1.6. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for material differences between the final budget amounts and actual amounts are included in the notes to the financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

RICHTERSVELD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 6 (Revised – Nov 2010)	<p><u>Consolidated and Separate Financial Statements</u></p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	Unknown
GRAP 8 (Revised – Nov 2010)	<p><u>Interest in Joint Ventures</u></p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	Unknown
GRAP 18 (Original – Feb 2011)	<p><u>Segment Reporting</u></p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>Information to a large extent is already included in the appendixes to the financial statements which do not form part of the audited financial statements.</p>	1 April 2015
GRAP 20 (Original – Jun 2011)	<p><u>Related Party Disclosure</u></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	<p><u>Service Concession Arrangements: Grantor</u></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 105 (Original – Nov 2010)	<p><u>Transfer of Functions Between Entities Under Common Control</u></p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	1 April 2015

RICHTERSVELD MUNICIPALITY
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GRAP 106 (Original – Nov 2010)	<p><u>Transfer of Functions Between Entities Not Under Common Control</u></p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p>	1 April 2015
	<p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	
GRAP 107 (Original – Nov 2010)	<p><u>Mergers</u></p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 108 (Original – Sept 2013)	<p><u>Statutory Receivables</u></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
IGRAP 11	<p><u>Consolidation - Special Purpose Entities (SPE)</u></p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	Unknown
IGRAP 12	<p><u>Jointly Controlled Entities non-monetary contributions</u></p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	Unknown
IGRAP 17	<p><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></p> <p>The objective of this Interpretation of the Standard is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as the Municipality does not have any Concession Arrangements at this stage.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

RICHTERSVELD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.8. FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.9. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund.

Housing selling schemes both complete and in progress as at 1 April 1998 were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.10. RESERVES

1.10.1. Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The funds in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

1.11. LEASES

1.11.1. Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.11.2. Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

1.12. BORROWING COST

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.13. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

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Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.14. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.15. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the

RICHTERSVELD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.16. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is:

- a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) a present obligation that arises from past events but is not recognised because:
 - i. it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii. the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date. This means:

- Provisions for one-off events are measured at the most likely outcome;
- Provisions for large populations of events are measured at a probability-weighted expected value; and
- Both measurements are discounted (where the effect is material) using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

1.17. EMPLOYEE BENEFITS

(a) *Post-Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

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Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(d) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(e) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

RICHTERSVELD MUNICIPALITY
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- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.18. PROPERTY, PLANT AND EQUIPMENT

1.18.1. Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.18.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent

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expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.18.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads, pavements and bridges	3-30	Buildings	20-30
Storm Water	20	Specialist vehicles	3-15
Electricity	2-50	Other vehicles	3-15
Water	5-100	Office equipment	2-15
Sanitation	5-50	Furniture and fittings	2-15
Waste Management	25-30	Watercraft	10-15
		Bins and containers	3-10
<u>Community</u>		Specialised plant and equipment	2-15
Sports fields and Stadia	20-30		
Housing	3-30	Other plant and equipment	2-15
Security Halls	3-15	Emergency equipment	7-30
	5-30	Computer equipment	25
Libraries	5-30		
Parks and gardens	20-30		
Other assets	3-30		
<u>Finance lease assets</u>			
Office equipment	5		
Other assets	5		

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Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.18.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.19. INTANGIBLE ASSETS

1.19.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or

RICHTERSVELD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.19.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.19.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost of valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	2-15
Computer Software Licenses	2-15

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1.19.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.20. INVESTMENT PROPERTY

1.20.1. Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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1.20.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.20.3. Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	25-30

1.20.4. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.20.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.21. HERITAGE ASSETS

1.21.1. Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

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A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.21.2. Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.21.3. Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.21.4. De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.21.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2011.

1.22. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.22.1. Cash generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

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In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.22.2. Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the

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operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;

- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.23. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.24. INVENTORIES

1.24.1. Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.24.2. Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in-first-out method.

Water inventory is measured annually at the reporting date by way of dip readings.

1.25. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.25.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

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1.25.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.25.2.1. Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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1.25.2.2. Payables and Annuity Loans

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.25.2.3. Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.25.2.4. Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.25.3. De-recognition

1.25.3.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;

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and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.25.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.25.4. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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1.26. REVENUE

1.26.1. *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. It is a subsequent event if the Municipality does not enforce its obligation to collect the revenue. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised

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when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.26.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a

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financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.27. TRANSFER OF FUNCTIONS (Municipality as acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

1.28. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any

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consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.29. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.33. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations and long service are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 5 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, which is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 7 days' worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Revenue Recognition

Accounting Policy 1.26.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.26.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed.

1.34. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.35. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.36. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.37. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
4.1 Landfill Sites		
Balance 1 July	5 943 427	5 607 362
Contribution for the year	361 429	336 420
Change in Provision for Rehabilitation Cost	80 393	(355)
Total provision 30 June	6 385 249	5 943 427
Less: Transfer of Current Portion to Current Provisions	-	-
Balance 30 June	6 385 249	5 943 427

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows

	Port Nolloth	Kuboes	Eksteensfontein	Lekkersing
Area (m ²)	18 700	670	670	20 973
Rehabilitation volume (m ³)	28 000	500	500	29 700
Fence (m)	-	240	240	710
Cost of fence (Rand)	-	123 596	123 596	118 446
Site Clearance (Rand)	629 216	16 854	16 854	22 472
Excavation cost (Rand)	3 314 620	153 933	153 933	224 720
Filling (Rand)	138 376	3 371	3 371	4 270
Preliminary and general (Rand)	612 332	44 663	44 663	55 486
Fees and expenses (Rand)	469 454	34 242	34 242	42 539

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

Location	Estimated decommission date		
Port Nolloth	2021	7 764 744	8 094 807
Kuboes	2018	475 523	475 523
Eksteensfontein	2018	475 523	475 523
Lekkersing	2021	703 589	703 589
		9 419 389	9 749 452

5. NON-CURRENT EMPLOYEE BENEFITS

Provision for Post Retirement Health Care Benefits	2 360 130	2 277 983
Provision for Long Service Awards	826 877	865 773
Total Non-current Employee Benefits	3 187 007	3 143 756

Post Retirement Health Care Benefits

Balance 1 July	2 406 527	2 537 999
Contribution for the year	234 773	190 941
Expenditure for the year	(134 518)	(176 557)
Actuarial Loss/(Gain)	(6 156)	(145 856)
Total provision 30 June	2 500 626	2 406 627
Less: Transfer of Current Portion to Current Provisions - Note 7	(140 496)	(128 544)
Balance 30 June	2 360 130	2 277 983

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<u>Long Service Awards</u>		
Balance 1 July	939 948	807 942
Contribution for the year	150 504	184 006
Expenditure for the year	(62 343)	(86 452)
Actuarial Loss/(Gain)	20 478	54 452
Total provision 30 June	1 048 587	939 948
Less: Transfer of Current Portion to Current Provisions - Note 7	(221 710)	(74 175)
Balance 30 June	826 877	865 773

5.1 Provision for Post Retirement Health Care Benefits

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	1	2
Continuation members (e.g. Retirees, widows, orphans)	4	3
Total Members	5	5

The liability in respect of past service has been estimated to be as follows:

In-service members	768 995	755 434
Continuation members	1 731 631	1 651 093
Total Liability	2 500 626	2 406 527

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2012 R	2011 R	2010 R
In-service members	973 461	827 722	622 119
Continuation members	1 564 538	1 435 756	1 458 483
Total Liability	2 537 999	2 263 478	2 080 602

The municipality makes monthly contributions for health care arrangements to the following medical aid scheme:

LA Health

The Current-service Cost for the ensuing year is estimated to be R42 350, whereas the Interest Cost for the next year is estimated to be R201 162.

Key actuarial assumptions used:	2014 %	2013 %
I) Rate of Interest		
Discount rate	8.27%	8.21
Health Care Cost Inflation Rate	7.71%	7.59
Net Effective Discount Rate	0.53%	0.58

II) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

III) Normal retirement age

The normal retirement age for employees of the municipality is 65 years (males) and 60 years (females).

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	2 500 626	2 406 527
Fair value of plan assets	-	-
	<u>2 500 626</u>	<u>2 406 527</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
Net liability/(asset)	<u>2 500 626</u>	<u>2 406 527</u>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	2 406 527	2 537 999
Total expenses	100 255	14 384
Current service cost	42 328	4 784
Interest Cost	192 445	186 157
Benefits Paid	(134 518)	(176 557)
Actuarial (gains)/losses	(6 158)	(145 856)
Present value of fund obligation at the end of the year	<u>2 500 626</u>	<u>2 406 527</u>

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: Employer	-	-
Contributions: Employee	-	-
Past Service Costs	-	-
Actuarial (gains)/losses	-	-
Benefits Paid	-	-
Fair value of plan assets at the end of the year	<u>-</u>	<u>-</u>

Sensitivity Analysis on the Accrued Liability

	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Assumption			
Central Assumptions	0.769	1.732	2.501

The effect of movements in the assumptions are as follows:

	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Assumption					
Health care inflation	1%	0.872	1.882	2.754	10%
Health care inflation	-1%	0.681	1.598	2.279	-9%
Post-retirement mortality	-1 year	0.799	1.813	2.612	4%
Average retirement age	-1 year	0.881	1.732	2.593	4%
Withdrawal Rate	-10%	0.692	1.732	2.424	-3%

	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Assumption					
Health care Inflation	1%	49 300	215 200	264 500	13%
Health care inflation	-1%	36 500	172 900	209 400	-11%
Post-retirement mortality	-1 year	44 000	201 100	245 100	4%
Average retirement age	-1 year	47 500	199 900	247 400	5%
Withdrawal Rate	-50%	43 700	194 900	238 600	2%

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 Rm	2013 Rm
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	2.501	2.407
Assets: Gain / (loss)		-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2012 Rm	2011 Rm	2010 Rm
Liabilities: (Gain) / loss	2.263	2.081	1.937
Assets: Gain / (loss)	-	-	-

5.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 106 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R86 815 whereas the Interest Cost for the next year is estimated to be R72 883.

	2014 %	2013 %
Key actuarial assumptions used:		
l) Rate of Interest		
Discount rate	7.75%	7.14
General Salary Inflation (long-term)	6.98%	6.74
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.72%	0.38

	2014 R	2013 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1 048 587	939 948
Fair value of plan assets	-	-
	<u>1 048 587</u>	<u>939 948</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present value of unfunded obligations	-	-
Net liability/(asset)	<u><u>1 048 587</u></u>	<u><u>939 948</u></u>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	939 948	807 942
Total expenses	88 161	77 554
Current service cost	85 956	114 714
Interest Cost	64 548	49 292
Benefits Paid	(62 343)	(86 452)
Actuarial (gains)/losses	20 478	54 452
Present value of fund obligation at the end of the year	<u><u>1 048 587</u></u>	<u><u>939 948</u></u>

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contribution: Employer	-	-
Contribution: Employee	-	-
Past service costs	-	-
Actuarial (gains)/losses	-	-
Benefits paid	-	-
Fair value of plan assets at the end of the year	<u><u>-</u></u>	<u><u>-</u></u>

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		1.049	
General salary inflation	1%	1.110	6%
General salary inflation	-1%	0.993	-5%
Average retirement age	-2 yrs	0.929	-11%
Average retirement age	2 yrs	1.177	12%
Withdrawal rates	-50%	1.212	16%

	2014 Rm	2013 Rm
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	1.049	0.939
Assets: Gain / (loss)	-	-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2012 Rm	2011 Rm	2010 Rm
Liabilities: (Gain) / loss	0.807	0.721	-
Assets: Gain / (loss)	-	-	-

The municipality performed their first actuarial valuation on 30 June 2011. Thus there are no experience adjustment figures available on or before 30 June 2011 to fully comply with GRAP 25.

5.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 105,1% (30 June 2012 - 108,0%).

Contributions paid recognised in the Statement of Financial Performance

310 145	248 917
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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
<u>DEFINED CONTRIBUTION FUNDS</u>		
Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.		
Contributions paid recognised in the Statement of Financial Performance		
SAMWU National Provident Fund	1 325 866	1 256 157
	<u>1 325 866</u>	<u>1 256 157</u>
6. CONSUMER DEPOSITS		
Water and Electricity	819 977	762 929
Total Consumer Deposits	<u>819 977</u>	<u>762 929</u>
The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.		
7. CURRENT EMPLOYEE BENEFITS		
Performance Bonuses		-
Staff Bonuses	523 060	501 873
Staff Leave	1 247 601	1 092 349
Current Portion of Non-Current Provisions	362 206	202 719
Current Portion of Post Retirement Benefits - Note 5	140 496	128 544
Current Portion of Long-Service Provisions - Note 5	221 710	74 175
Total Provisions	<u>2 132 867</u>	<u>1 796 942</u>
The movement in current provisions are reconciled as follows:		
7.1 Staff Bonuses		
Balance at beginning of year	501 873	423 765
Contribution to current portion	846 502	866 179
Expenditure Incurred	(825 315)	(788 070)
Balance at end of year	<u>523 060</u>	<u>501 873</u>
Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.		
7.2 Staff Leave		
Balance at beginning of year	1 092 349	829 066
Contribution to current portion	234 284	302 273
Expenditure Incurred	(79 032)	(38 990)
Balance at end of year	<u>1 247 601</u>	<u>1 092 349</u>
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.		

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
8. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	4 680 049	6 062 006
Payments received in advance	442 488	281 186
Retentions	605 735	1 020 081
Other Creditors	5 231	149 879
Deposits: Other	267 738	231 314
Correction of Error - Note 39.1	-	68 266
Total Trade Payables	6 001 241	7 812 731

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Sundry deposits include Hall, Building Rubble and Housing Deposits.

9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	2 879 143	2 450 908
National Government Grants	420 818	118 029
Provincial Government Grants	2 457 627	2 332 181
District Municipality	-	-
Other Sources	688	098
Less: Unpaid Grants	(1 091 527)	-
National Government Grants	(1 091 527)	-
Provincial Government Grants	-	-
District Municipality	-	-
Other Sources	-	-
Total Conditional Grants and Receipts	1 787 616	2 450 908

See appendix "D" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

10. TAXES

10.1 VAT Payable	-	-
Total Taxes	-	-
10.2 VAT Receivable	256 578	3 146 918
Correction of Error - Note 39.2	-	(751 451)
Total Taxes	256 578	2 395 467
10.3 Net VAT Receivable/(Payable)	256 578	2 395 467

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

11. SHORT-TERM LOANS

The Municipality has no short term loans.

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014	2013
		R	R
12. PROPERTY, PLANT AND EQUIPMENT			
See attached sheet	page 1		

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
12.3 Assets pledged as security:		
Leased Property, Plant and Equipment of R1 632 714 (2013: R588 627 is secured for leases as set out in Note 3.		
13. INVESTMENT PROPERTY		
Net Carrying amount at 1 July	47 485 172	47 488 937
Cost	47 757 784	50 009 819
Correction of Error - Note 39.4	-	(2 435 695)
Accumulated Depreciation	(75 651)	(71 886)
Correction of Error - Note 39.4	-	183 660
Accumulated Impairment Loss	(196 961)	-
Correction of Error - Note 39.4	-	(196 961)
Acquisitions	-	-
Depreciation for the year	(3 455)	(3 785)
Net Carrying amount at 30 June	47 481 717	47 485 172
Cost	47 757 784	47 757 784
Accumulated Depreciation	(79 106)	(75 651)
Accumulated Impairment Loss	(196 961)	(196 961)
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
14. INTANGIBLE ASSETS		
Net Carrying amount at 1 July	116 238	221 442
Cost	558 181	547 629
Correction of Error - Note 39.5	-	(4 238)
Accumulated Amortisation	(408 894)	(321 773)
Correction of Error - Note 39.5	-	139 023
Accumulated Impairment Loss	(33 249)	-
Correction of Error - Note 39.5	-	(139 199)
Acquisitions	384 371	14 790
Amortisation	(77 308)	(65 188)
Impairment Loss/ Reversal of Impairment Loss	-	(54 806)
Net Carrying amount at 30 June	423 302	116 238
Cost	942 551	558 181
Accumulated Amortisation	(486 000)	(408 694)
Accumulated Impairment Loss	(33 249)	(33 249)
No intangible asset were assed having an indefinite useful life.		
There are no internally generated intangible assets at reporting date.		
There are no intangible assets whose title is restricted.		
There are no intangible assets pledged as security for liabilities.		
There are no contractual commitments for the acquisition of intangible assets.		
15. LONG TERM RECEIVABLES		
Housing Loans - At amortised cost	205 333	225 785
Correction of Error - Note 39.6	-	(10 996)
	205 333	214 788
Less: Current portion transferred to current receivables	(10 814)	(9 513)
Total Long Term Receivables	194 519	205 276

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
16. INVENTORY		
Maintenance Materials - At cost	143 448	22 826
Water - At purification cost	5 158	10 962
Correction of Error - Note 39.7	-	61 520
Total Inventory	148 607	95 308

The municipality recognised only purification costs in respect of non-purchased purified water inventory.

Inventory recognise as an expense during the year.

Maintenance Materials - At cost	137 255	482 900
	137 255	482 900

Materials written down due to losses as identified during the annual stores counts:

Maintenance Materials - At cost	32 941	177 668
	32 941	177 668

No inventory assets were pledged as security for liabilities.

17. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Electricity	2 130 950	1 906 706
Water	10 806 882	10 062 684
Housing Rentals	223 175	212 222
Refuse	7 922 764	7 257 567
Sewerage	6 826 622	6 154 906
Other Arrears	7 086 528	7 011 599
Correction of Error - Note 39.8	-	367 520
Total: Receivables from exchange transactions (before provision)	34 996 802	32 973 204
Less: Provision for Debt Impairment	(33 611 865)	(31 210 426)
Total: Receivables from exchange transactions (after provision)	1 385 237	1 762 778

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

(Electricity): Aging

Current (0 - 30 days)	290 250	312 690
31 - 60 Days	71 103	91 868
61 - 90 Days	56 292	47 444
+ 90 Days	1 713 306	1 454 504
Total	2 130 951	1 906 706

(Water): Aging

Current (0 - 30 days)	288 095	320 200
31 - 60 Days	222 592	227 432
61 - 90 Days	220 402	203 821
+ 90 Days	10 075 774	9 311 231
Total	10 806 863	10 062 684

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
<u>(Housing): Ageing</u>		
Current (0 - 30 days)	1 303	49
31 - 60 Days	1 140	1 157
61 - 90 Days	1 140	1 157
+ 90 Days	219 592	209 859
Total	223 175	212 222
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	184 161	192 725
31 - 60 Days	159 538	147 903
61 - 90 Days	154 076	139 976
+ 90 Days	7 424 969	6 776 863
Total	7 922 764	7 257 567
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	153 082	146 236
31 - 60 Days	132 652	118 636
61 - 90 Days	126 520	112 945
+ 90 Days	6 414 366	5 777 089
Total	6 826 622	6 154 906
<u>(Other): Ageing</u>		
Current (0 - 30 days)	416 008	275 387
31 - 60 Days	34 321	42 855
61 - 90 Days	35 366	44 680
+ 90 Days	6 600 833	6 648 677
Total	7 086 528	7 011 599
<u>(Total): Ageing</u>		
Current (0 - 30 days)	1 332 919	1 247 487
31 - 60 Days	621 346	629 851
61 - 90 Days	593 796	550 023
+ 90 Days	32 448 842	30 545 843
Total	34 996 903	32 973 204
<u>Reconciliation of Provision for Debt Impairment</u>		
Balance at beginning of year	31 210 426	27 216 819
Contribution to provision	3 356 841	3 593 143
VAT on provision	412 822	503 040
Bad Debts written off against provision	(1 368 224)	(104 576)
Reversal of provision	-	-
Balance at end of year	33 611 665	31 210 426
The total amount of this provision is R 33 611 665 and consist of:		
Services	28 532 183	24 551 020
Other Debtors	5 079 482	6 659 407
Total Provision for Debt Impairment on Receivables from exchange transactions	33 611 665	31 210 426
<u>Ageing of amounts past due but not impaired:</u>		
1 month past due	-	515 291
2+ months past due	-	-
	-	515 291

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

	2014 R	2013 R
18. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Taxes - Rates	11 934 927	10 035 612
Other Receivables	58 690	202 847
Correction of Error - Note 39.9	-	(85 475)
	<u>11 991 618</u>	<u>10 172 984</u>
Less: Provision for Debt Impairment	(11 780 193)	(9 626 619)
Total Receivables from non-exchange transactions	<u>211 425</u>	<u>546 365</u>

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

(Rates): Ageing

Current (0 - 30 days)	104 463	130 108
31 - 60 Days	103 891	98 298
61 - 90 Days	98 686	89 504
+ 90 Days	11 627 887	9 717 702
Total	<u>11 934 927</u>	<u>10 035 612</u>

Reconciliation of Provision for Debt Impairment

Balance at beginning of year	9 626 619	7 685 789
Contribution to provision	2 204 835	1 972 949
Bad Debts written off against provision	(51 261)	(32 119)
Reversal of provision	-	-
Balance at end of year	<u>11 780 193</u>	<u>9 626 619</u>

The total amount of this provision is R11 780 193 and consist of:

Taxes	11 780 193	9 626 619
Other	-	-
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	<u>11 780 193</u>	<u>9 626 619</u>

Ageing of amounts past due but not impaired:

1 month past due	50 271	98 298
2+ months past due	-	180 586
	<u>50 271</u>	<u>278 884</u>

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

	2014 R	2013 R
19. OPERATING LEASE ARRANGEMENTS		
19.1 The Municipality as Lessor		
Operating Lease Asset	11 786	14 753
Reconciliation		
Balance at the beginning of the year	14 753	17 489
Movement during the year	(2 967)	(2 717)
Balance at the end of the year	11 786	14 753
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	38 453	35 213
1 to 5 Years	192 594	176 388
More than 5 Years	508 361	563 040
Total Operating Lease Arrangements	739 408	774 621
This operating lease income determined from contracts that have a specific condition income. Property is rent at market related tariffs with a annual increase of 9%. The operating lease agreement expires in 2026.		
20. BANK ACCOUNTS		
20.1 Cash and Cash Equivalents		
Current Accounts	269 988	1 039 289
Call Investments Deposits	6 308 874	9 357 780
Cash Floats	380	480
Correction of Error - Note 39.10	-	(100)
Total Cash and Cash Equivalents - Assets	6 577 042	10 397 450
The municipality has the following bank accounts:		
Current Accounts		
First National Bank - Account Number 534 7183 1653 (Primary Bank Account):	269 988	1 039 289
	269 988	1 039 289

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
<u>Call Investment Deposits</u>		
First National Bank - Account Number 620 2169 3587 (Vegetables Account):	-	1 605
First National Bank - Account Number 620 3227 5689 (MSP Water Meters Account):	-	336 901
First National Bank - Account Number 620 4518 7706 (Social/Aids Account):	-	49 669
First National Bank - Account Number 620 6266 9521 (Equitable Share Account):	1 056	2 117
First National Bank - Account Number 620 6973 7173 (Leave Gratuity Account):	831 675	738 939
First National Bank - Account Number 620 7204 0555 (FMG Account):	48 555	30 153
First National Bank - Account Number 620 9751 5880 (Consumer Deposits Account):	294 474	289 039
First National Bank - Account Number 620 9751 6979 (Flood Dam Kuboes Account):	50 882	236 363
First National Bank - Account Number 620 9751 7571 (CRR Account):	1 003 233	1 103 661
First National Bank - Account Number 621 1760 8581 (Dev. Housing Account):	25 667	25 432
First National Bank - Account Number 620 5079 2721 (EFT/DBSA Account):	573 787	78 687
First National Bank - Account Number 620 7643 7253 (Water Bulk Shand Account):	-	337 375
First National Bank - Account Number 621 3757 8433 (Projects Account):	1 834 210	372 841
First National Bank - Account Number 742 7763 6667 (Assets Financing Account):	430 784	409 675
First National Bank - Account Number 621 3757 7782 (Grants and Subsidies Account):	372 281	169 099
First National Bank - Account Number 622 3714 1099 (Library Account):	236 251	267 659
First National Bank - Account Number 622 7711 8313 (MIG Account):	-	3 141 028
First National Bank - Account Number 623 7083 3115 (Integrated National Electrification):	-	414 216
First National Bank - Account Number 623 6607 3840 (NC Harbour Grant):	-	1 353 323
First National Bank - Account Number 624 2665 8508 (EPWP):	603 838	-
	6 306 674	9 357 780

Details of current accounts are as follow:

First National Bank - Account Number 534 7183 1653 (Primary Bank Account):

Cash book balance at beginning of year	1 039 289	421 198
Cash book balance at end of year	269 988	1 039 289

Bank statement balance at beginning of year	987 800	330 805
Bank statement balance at end of year	191 105	987 800

First National Bank - Account Number 620 2169 3587 (Vegetables Account):

Cash book balance at beginning of year	1 605	6 699
Cash book balance at end of year	-	1 605

Bank statement balance at beginning of year	1 605	6 699
Bank statement balance at end of year	-	1 605

First National Bank - Account Number 620 3227 5689 (MSP Water Meters Account):

Cash book balance at beginning of year	336 901	420 538
Cash book balance at end of year	-	336 901

Bank statement balance at beginning of year	336 901	420 538
Bank statement balance at end of year	-	336 901

First National Bank - Account Number 620 4518 7706 (Social/Aids Account):

Cash book balance at beginning of year	49 669	256 726
Cash book balance at end of year	-	49 669

Bank statement balance at beginning of year	49 669	256 726
Bank statement balance at end of year	-	49 669

First National Bank - Account Number 620 6266 9521 (Equitable Share Account):

Cash book balance at beginning of year	2 117	4 062
Cash book balance at end of year	1 056	2 117

Bank statement balance at beginning of year	2 117	4 062
Bank statement balance at end of year	1 056	2 117

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
First National Bank - Account Number 620 6973 7173 (Leave Gratuity Account):		
Cash book balance at beginning of year	738 939	801 431
Cash book balance at end of year	831 675	738 939
Bank statement balance at beginning of year	738 939	801 431
Bank statement balance at end of year	831 675	738 939
First National Bank - Account Number 620 7204 0555 (FMG Account):		
Cash book balance at beginning of year	30 153	90 203
Cash book balance at end of year	48 555	30 153
Bank statement balance at beginning of year	30 153	90 203
Bank statement balance at end of year	48 555	30 153
First National Bank - Account Number 620 9751 5880 (Consumer Deposits Account):		
Cash book balance at beginning of year	289 039	283 460
Cash book balance at end of year	294 474	289 039
Bank statement balance at beginning of year	289 039	283 460
Bank statement balance at end of year	294 474	289 039
First National Bank - Account Number 620 9751 6979 (Flood Dam Kuboes Account):		
Cash book balance at beginning of year	236 363	250 148
Cash book balance at end of year	50 882	236 363
Bank statement balance at beginning of year	236 363	250 148
Bank statement balance at end of year	50 882	236 363
First National Bank - Account Number 620 9751 7571 (CRR Account):		
Cash book balance at beginning of year	1 103 661	1 322 549
Cash book balance at end of year	1 003 233	1 103 661
Bank statement balance at beginning of year	1 103 661	1 322 549
Bank statement balance at end of year	1 003 233	1 103 661
First National Bank - Account Number 621 1760 8581 (Dev. Housing Account):		
Cash book balance at beginning of year	25 432	25 179
Cash book balance at end of year	25 667	25 432
Bank statement balance at beginning of year	25 432	25 179
Bank statement balance at end of year	25 667	25 432
First National Bank - Account Number 620 5079 2721 (EFT/DBSA Account):		
Cash book balance at beginning of year	78 687	2 439 384
Cash book balance at end of year	573 787	78 687
Bank statement balance at beginning of year	78 687	2 439 384
Bank statement balance at end of year	573 787	78 687
First National Bank - Account Number 620 7643 7253 (Water Bulk Shand Account):		
Cash book balance at beginning of year	337 375	337 410
Cash book balance at end of year	-	337 375
Bank statement balance at beginning of year	337 375	337 410
Bank statement balance at end of year	-	337 375
First National Bank - Account Number 621 3757 8433 (Projects Account):		
Cash book balance at beginning of year	372 841	367 704
Cash book balance at end of year	1 834 210	372 841
Bank statement balance at beginning of year	372 841	367 704
Bank statement balance at end of year	1 834 210	372 841

RIGHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
First National Bank - Account Number 742 7763 6667 (Assets Financing Account):		
Cash book balance at beginning of year	409 675	390 126
Cash book balance at end of year	430 784	409 675
Bank statement balance at beginning of year	409 675	390 126
Bank statement balance at end of year	430 784	409 675
First National Bank - Account Number 621 3757 7782 (Grants and Subsidies Account):		
Cash book balance at beginning of year	169 099	298 511
Cash book balance at end of year	372 261	169 099
Bank statement balance at beginning of year	169 099	298 511
Bank statement balance at end of year	372 261	169 099
First National Bank - Account Number 622 3714 1099 (Library Account):		
Cash book balance at beginning of year	267 659	244 945
Cash book balance at end of year	236 251	267 659
Bank statement balance at beginning of year	267 659	244 945
Bank statement balance at end of year	236 251	267 659
First National Bank - Account Number 622 7711 8313 (MIG Account):		
Cash book balance at beginning of year	3 141 028	8 388 872
Cash book balance at end of year	-	3 141 028
Bank statement balance at beginning of year	3 141 028	8 388 872
Bank statement balance at end of year	1 000	3 141 028
First National Bank - Account Number 623 7083 3115 (Integrated National Electrification):		
Cash book balance at beginning of year	414 216	-
Cash book balance at end of year	-	414 216
Bank statement balance at beginning of year	414 216	-
Bank statement balance at end of year	-	414 216
First National Bank - Account Number 623 6607 3840 (NC Harbour Grant):		
Cash book balance at beginning of year	1 353 323	-
Cash book balance at end of year	-	1 353 323
Bank statement balance at beginning of year	1 353 323	-
Bank statement balance at end of year	-	1 353 323
First National Bank - Account Number 624 2665 8508 (EPWP):		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	603 838	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	603 838	-

21. PROPERTY RATES

Actual

Rateable Land and Buildings	7 932 459	7 166 981
Residential Property	5 457 905	5 872 893
Commercial Property	1 210 697	1 023 092
Industrial Property	934 193	39 732
Agricultural Purposes	230 117	101 377
State - National/ Provincial Services	99 548	129 887
Correction of Error - Note 39.12	-	(65 475)
Total Assessment Rates	7 932 459	7 101 506

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<u>Valuations - 1 July 2013</u>		
Rateable Land and Buildings	960 967 658	960 967 658
Residential Property	743 341 185	743 341 185
Commercial Property	103 422 043	103 422 043
Industrial Property	3 857 600	3 857 600
Agricultural Purposes	88 539 130	88 539 130
State - National/ Provincial Services	21 807 700	21 807 700
Total Assessment Rates	960 967 658	960 967 658

Valuations - 1 July 2013

	Building Clause Valuation	Site Valuation	Building Valuation	Total Valuation
Domestic	36 007 000	-	707 334 185	743 341 185
Commercial	178 000	-	103 244 043	103 422 043
Light Industrial	103 000	-	3 754 600	3 857 600
Agricultural/Rural	-	-	88 539 130	88 539 130
State	38 000	-	21 769 700	21 807 700
Total Property Valuations	36 326 000	-	924 641 658	960 967 658

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Basic Rate

Residential	0.79801c/R	0.7458c/R
Commercial and Industrial	1.05908c/R	0.9898c/R
Government	0.79801c/R	0.7458c/R
Agriculture	0.12252c/R	0.1145c/R

Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential	- The first R25 000 on the valuation is exempted.
Indigents	- The first R75 000 on the valuation is exempted.
Pensioners	- 33,3%
Government -	- 20%

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

22. GOVERNMENT GRANTS AND SUBSIDIES

Unconditional

Equitable Share	11 210 000	13 362 000
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Conditional

	21 484 690	24 203 593
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Grants and Donations	21 484 690	24 203 593
Subsidies	-	-

Total Government Grants and Subsidies	32 694 690	37 565 593
----------------------------------------------	-------------------	-------------------

Government Grants and Subsidies - Operating	27 161 410	21 220 273
Government Grants and Subsidies - Capital	5 533 280	16 345 320

Total Government Grants and Subsidies	32 694 690	37 565 593
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RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share		13 362 000
Executive & Council	79 534	5 470 762
Budget & Treasury	919 602	1 188 365
Corporate Services	14 749 810	10 465 181
Health	-	51 077
Community & Social Services	1 176 886	1 338 104
Housing	8 960 315	-
Sport & Recreation	3	1 270 852
Waste Water Management	1 608 912	-
Road Transport	4 329 010	2 660 028
Water	752 739	377 417
Electricity	118 078	1 401 809
Total Government Grants and Subsidies	32 694 690	37 565 593
22.1 Equitable Share		
Opening balance	-	-
Correction of Error	-	-
Grants received	11 210 000	13 362 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(11 210 000)	(13 362 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
22.2 Local Government Financial Management Grant (FMG)		
Opening balance	-	32 359
Correction of Error	-	-
Grants received	1 650 000	1 500 000
Interest received	-	-
Repaid to National Revenue Fund	-	(363 994)
Conditions met - Operating	(1 352 417)	(1 042 607)
Conditions met - Capital	(249 027)	(125 758)
Conditions still to be met	48 558	-
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
22.3 Municipal Systems Improvement Grant (MSIG)		
Opening balance	-	(2 706)
Correction of Error	-	-
Grants received	890 000	800 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(498 551)	(797 294)
Conditions met - Capital	(19 188)	-
Conditions still to be met	372 261	-
The Municipal Systems Improvement Grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
22.4 <u>Municipal Infrastructure Grant (MIG)</u>		
Opening balance	-	7 907 672
Correction of Error	-	-
Grants received	5 192 000	8 628 000
Interest received	-	-
Repaid to National Revenue Fund	-	(2 120 006)
Conditions met - Operating	(1 374 628)	-
Conditions met - Capital	(4 908 899)	(14 415 666)
Conditions still to be met	<u>(1 091 527)</u>	<u>-</u>

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

22.5 <u>Integrated National Electrification Grant</u>		
Opening balance	118 078	-
Correction of Error	-	-
Grants received	-	1 200 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(118 078)	-
Conditions met - Capital	-	(1 081 922)
Conditions still to be met	<u>-</u>	<u>118 078</u>

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

22.6 <u>Sport Grant</u>		
Opening balance	-	3 471
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	(3 471)
Conditions met - Capital	-	-
Conditions still to be met	<u>-</u>	<u>-</u>

The grant was used to build sport infrastructure.

22.7 <u>Library Grant</u>		
Opening balance	202 298	205 759
Correction of Error	-	-
Grants received	693 000	706 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(712 686)	(708 461)
Conditions met - Capital	-	-
Conditions still to be met	<u>182 612</u>	<u>202 298</u>

The grant was used to finance library activities.

22.8 <u>Accelerated Infrastructure Programme</u>		
Opening balance	-	49
Correction of Error	-	-
Grants received	403 232	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	(49)
Conditions met - Capital	(356 166)	-
Conditions still to be met	<u>47 067</u>	<u>-</u>

The grant was used to facilitate cultural groups.

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
22.9 Housing Grant		
Opening balance	372 841	366 689
Correction of Error	-	-
Grants received	10 386 677	-
Interest received	32 487	7 166
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(8 960 315)	(1 015)
Conditions met - Capital	-	-
Conditions still to be met	<u>1 831 690</u>	<u>372 841</u>

The Housing grant was utilised for the development of erven and the erection of top structures.

22.10 CoGTA Grant (Flood Damage Kuboes)

Opening balance	185 263	250 147
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(134 644)	(64 884)
Conditions met - Capital	-	-
Conditions still to be met	<u>50 619</u>	<u>185 263</u>

The grant was used to perform maintenance in flood damage areas.

22.11 CoGTA Grant (MSP Water meter)

Opening balance	4 587	413 877
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(4 587)	(570)
Conditions met - Capital	-	(408 720)
Conditions still to be met	<u>-</u>	<u>4 587</u>

The grant was used to install water meters.

22.12 CoGTA Grant (Sizamile Vegetable)

Opening balance	1 583	1 583
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(1 583)	-
Conditions met - Capital	-	-
Conditions still to be met	<u>-</u>	<u>1 583</u>

The grant was used to establish vegetable gardens.

22.13 CoGTA Grant (Water Bulk Supply - 8 Mile)

Opening balance	-	41 169
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	(41 169)
Conditions met - Capital	-	-
Conditions still to be met	<u>-</u>	<u>-</u>

The grant was used to develop water infrastructure.

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
22.14 CoGTA Grant (Water Bulk Supply - Ninham Shand)		
Opening balance	261 930	336 720
Correction of Error	-	-
Grants received	-	584 838
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(261 930)	(346 374)
Conditions met - Capital	-	(313 254)
Conditions still to be met	-	261 930

The grant was used to develop water infrastructure.

22.15 CoGTA Grant (Pula Nala)		
Opening balance	-	41 952
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	(41 952)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The grant was used for job creation.

22.16 CoGTA Grant (Water Bulk Infrastructure)		
Opening balance	-	257 892
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	(257 892)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The grant was used to develop water infrastructure.

22.17 Harbour Grant		
Opening balance	1 303 631	-
Correction of Error	-	-
Grants received	-	5 072 660
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(1 303 631)	(3 769 029)
Conditions met - Capital	-	-
Conditions still to be met	-	1 303 631

The grant was used to upgrade the Port Nolloth harbour.

22.18 Namakwa District Municipality Grant		
Opening balance	-	-
Correction of Error	-	-
Grants received	574 001	679 698
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(574 001)	(679 698)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The grant was used for various projects identified by Namakwa District Municipality.

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
22.19 NDFI Grant (CDW's)		
Opening balance	-	602
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	(602)
Conditions met - Capital	-	-
Conditions still to be met	-	0

The grant was used for various projects identified by Namakwaland Diamond Fund Trust.

22.20 De Beers		
Opening balance	698	-
Correction of Error	-	-
Grants received	-	102 001
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	(101 303)
Conditions met - Capital	-	-
Conditions still to be met	698	698

The grant was used for various projects identified by De Beers.

22.21 Alexcor Culfest Grant		
Opening balance	-	804
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	(804)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The grant was used for heritage activities.

22.22 Expanded Public Works Programme		
Opening balance	-	-
Correction of Error	-	-
Grants received	1 000 000	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(654 360)	-
Conditions met - Capital	-	-
Conditions still to be met	345 640	-

The grant was used for job creation.

22.23 Total Grants		
Opening balance	2 450 908	9 858 137
Correction of Error	-	-
Grants received	31 998 910	32 635 198
Interest received	32 487	7 166
Repaid to National Revenue Fund	-	(2 484 000)
Conditions met - Operating	(27 161 410)	(21 220 273)
Conditions met - Capital	(5 533 280)	(16 345 320)
Conditions still to be met/(Grant expenditure to be recovered)	1 787 615	2 450 908

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	2 879 143	2 450 908
Unpaid Conditional Government Grants and Receipts	(1 091 527)	-
Total	1 787 616	2 450 908

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
23. PUBLIC CONTRIBUTIONS AND DONATIONS		
Donations	240 473	8 520
Total Public Contributions and Donations	240 473	8 520
24. SERVICE CHARGES		
Electricity	7 928 736	7 065 950
Water	5 366 852	5 235 941
Refuse Removal	2 526 975	2 383 697
Sewerage and Sanitation Charges	2 188 490	2 078 535
Correction of Error - Note 39.12	-	1 524
Total Service Charges	18 011 054	16 765 647
25. RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	483 863	288 103
Rental of equipment	2 160	3 350
Other rentals	1 439 341	1 253 741
Total Rental of Facilities and Equipment	1 925 364	1 545 194
26. INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	359 693	652 812
Total Interest Earned - External Investments	359 693	652 812
27. INTEREST EARNED - OUTSTANDING RECEIVABLES		
Long-term Receivables	255	253
Trade Receivables	1 734 883	1 604 037
Total Interest Earned - Outstanding Receivables	1 735 139	1 604 289
28. OTHER INCOME		
Christmas Lights Festival	400 860	189 678
Commission	17 320	14 460
Grave Lots	6 990	8 313
Grazing Fees	201 357	186 933
Insurance claims	51 934	690
Lost Books	575	688
Other	297 604	1 825 767
Photostats	15 307	11 870
Posters	2 050	3 295
Search Fees	4 783	5 146
Surplus Cash	4	337
Survey Costs	9 571	1 579
Correction of Error - Note 39.12	-	381 244
Total Other Income	1 008 354	2 688 000
29. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	12 291 299	11 168 545
Employee Related Costs - Contributions for Medical Aids	429 438	347 581
Employee Related Costs - Contributions for UIF and Pensions	1 692 514	1 572 767
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	593 667	484 907
Housing Benefits and Allowances	93 753	109 064
Overtime Payments	812 811	663 852
Bonuses	846 502	866 179
Provision for leave	234 284	302 273
Contribution to provision - Long Service Awards - Note 5	85 956	114 714
Contribution to provision - Post Retirement Medical - Note 5	42 328	4 784
Correction of Error 39.12	-	44 043
Total Employee Related Costs	17 122 551	15 678 708

KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>Remuneration of the Municipal Manager - Mrs D Farmer</i>		
Annual Remuneration	372 789	203 538
Travelling Allowance	112 594	62 475
Other Allowances	116 835	84 525
Bonus	31 066	-
Back pay	4 309	-
Contributions to UIF, Medical and Pension Funds	37 284	1 041
Total	674 877	351 579

30. REMUNERATION OF COUNCILLORS

AM Jansen - Mayor	624 332	624 332
LR Ambrosini - Councillor	193 734	193 734
G Beukes - Councillor	193 734	193 734
CF Richter - Councillor	193 734	193 734
E Hausiku - Councillor	193 734	193 734
WJP Links - Councillor	193 734	193 734
J Isaacs - Councillor	-	412
T Swartbool - Councillor	193 734	193 734
J Pretorius - Councillor	151 140	193 734
R Jonker - Councillor	32 289	-
Total Councillors' Remuneration	1 970 185	1 980 882

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Other Allowances	Contributions	Total
Mayor	453 345	151 115	19 872	-	624 332
Councillors	944 793	309 437	91 603	-	1 345 833
Total Councillors' Remuneration	1 398 138	460 552	111 475	-	1 970 165

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Signed: Municipal Manager

31. DEBT IMPAIRMENT

Receivables from exchange transactions - Note 17	3 769 463	4 096 183
Receivables from non-exchange transactions - Note 18	2 204 835	1 972 949
	5 974 298	6 069 132
Less: VAT Portion on Debt Impairment	(412 822)	(503 040)
Total Debt Impairment	5 561 476	5 566 092

32. DEPRECIATION AND AMORTISATION

Property, plant and equipment	4 448 596	4 352 318
Intangible assets	77 308	65 188
Investment property carried at cost	3 455	3 765
Correction of Error - Note 39.12	-	351
Total Depreciation and Amortisation	4 529 357	4 421 622

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
33. FINANCE COSTS		
Long-term Liabilities	322 025	465 768
Non-current Provisions	361 429	336 420
Non-current Employee Benefits	256 993	235 449
Creditors	6 331	3 855
Total Finance Costs	946 778	1 041 492
34. BULK PURCHASES		
Electricity	8 209 521	7 140 247
Water	1 211 376	1 154 442
Total Bulk Purchases	9 420 897	8 294 689
35. OTHER OPERATING GRANT EXPENDITURE		
Operating Grant Expenditure per Vote		
Executive & Council	95 194	116 887
Budget & Treasury	1 820 559	2 584 486
Corporate Services	2 791 556	15 623
Community & Social Services	721 929	711 123
Housing	8 960 315	-
Road Transport	654 360	6 304 411
Water	1 717 329	2 197 289
Electricity	437 553	1 505 511
Total Operating Grant Expenditure	17 198 785	13 435 331
36. GENERAL EXPENSES		
Advertising	53 940	43 174
Audit Fees	1 948 912	1 459 397
Bank Charges	79 475	111 849
Christmas Lights Festival	784 717	858 317
Cleaning Materials	76 292	99 132
Computer Licences	353 393	257 603
Congress/Deputation Costs	4 000	4 000
Entertainment	38 443	58 229
Environmental Electricity Levy	291 447	319 193
Fire Extinguishing Materials	-	6 195
Fuel Vehicles	726 750	600 937
Insurance	549 294	408 863
Legal Fees	222 190	116 625
Membership and Subscriptions	463 012	435 668
New Connections	27 963	523
Printing and Stationary	77 735	77 566
Public Transport	7 300	9 500
Railage	29 575	27 286
Rental	283 983	185 526
Telephone and Postage	372 900	368 837
Travelling and Subsistence	430 689	786 455
Website	9 246	4 739
Other	339 136	577 510
Correction of Error - Note 39.12	-	35 297
Total General Expenses	7 170 404	6 852 220
37. GAIN/ (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	109 363	-
Total Gain/ (Loss) on Sale of Assets	109 363	-
38. (IMPAIRMENT LOSS)/ REVERSAL OF IMPAIRMENT LOSS		
Property, Plant and Equipment		
<i>Obsolete Property, Plant and Equipment with no economic value.</i>	-	(651 399)
Intangible Assets		
<i>Obsolete Intangible Assets with no economic value.</i>	-	(54 806)
Total (Impairment Loss)/ Reversal of Impairment Loss	-	(706 205)

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
39. CORRECTION OF ERROR IN TERMS OF GRAP 3		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:		
39.1 Payables from Exchange Transactions		
Balance previously reported	-	7 744 465
Election Deposits recognised as Other Income - Note 8	-	(4 032)
Tender Deposits recognised as Other Income - Note 8	-	(2 900)
Clearing of Salary Suspense account - Note 8	-	(30 222)
Recognise Sale of Pre-paid Electricity Boxes - Note 8	-	(15 785)
Acting Allowances not recorded in prior year - Note 8	-	21 471
Motor Vehicle Registration transactions recorded incorrectly in prior year - Note 8	-	1 703
Correction of Unidentified Deposits - Note 8	-	400
Back pay not recorded in prior year - Note 8	-	22 571
Other Creditors not recognised in prior year - Note 8	-	75 059
Restated Balance	-	7 812 731
Correction of Other Creditors, Suspense Accounts and Deposits: Other.		
39.2 Taxes		
Balance previously reported	-	3 146 918
Correction of VAT Control Account - Note 10.2	-	(751 451)
Restated Balance	-	2 395 467
Correction of VAT Control Accounts.		
39.3 Property, Plant and Equipment		
Balance previously reported	-	108 606 837
Cost	-	5 045 072
Community Assets recognised incorrectly in prior years - Note 12	-	109
Infrastructure Assets recognised incorrectly in prior years - Note 12	-	886 003
Land and Buildings recognised incorrectly in prior years - Note 12	-	2 449 268
Lease Assets recognised incorrectly in prior years - Note 12	-	(276 221)
Other Assets recognised incorrectly in prior years - Note 12	-	282 113
Land not previously recognised - Note 12	-	1 705 800
Accumulated Depreciation and Impairment Losses	-	(991 309)
Community Assets - Accumulated Depreciation recognised incorrectly in prior years - Note 12	-	(6 863)
Housing Rental Stock Assets - Accumulated Depreciation recognised incorrectly in prior years - Note 12	-	(0)
Infrastructure Assets - Accumulated Depreciation recognised incorrectly in prior years - Note 12	-	(99 100)
Infrastructure Assets - Accumulated Impairment Losses recognised incorrectly in prior years - Note 12	-	(28 779)
Land and Buildings - Accumulated Depreciation recognised incorrectly in prior years - Note 12	-	2 925
Lease Assets - Accumulated Depreciation recognised incorrectly in prior years - Note 12	-	(425 866)
Other Assets - Accumulated Depreciation recognised incorrectly in prior years - Note 12	-	2 867 574
Other Assets - Accumulated Impairment Losses recognised incorrectly in prior years - Note 12	-	(2 243 629)
Impairment of Land not recognised in prior years - Note 12	-	(1 057 200)
Other Assets - Backlog Depreciation - Note 12	-	(351)
Restated Balance	-	112 660 600

Correction of prior years' differences between Asset Register and General Ledger accounts.

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
39.4 Investment Property		
Balance previously reported	-	49 934 168
Cost	-	(2 435 695)
Investment Properties recognised incorrectly in prior years - Note 13	-	(2 435 695)
Accumulated Depreciation and Impairment Losses	-	(13 301)
Accumulated Depreciation recognised incorrectly in prior years - Note 13	-	183 660
Accumulated Impairment Losses recognised incorrectly in prior years - Note 13	-	(196 961)
Restated Balance	-	<u>17 485 172</u>
Correction of prior years' differences between Asset Register and General Ledger accounts.		
39.5 Intangible Assets		
Balance previously reported	-	120 651
Cost	-	(4 238)
Intangible Assets recognised incorrectly in prior years - Note 14	-	(4 238)
Accumulated Amortisation and Impairment Losses	-	(176)
Accumulated Amortisation recognised incorrectly in prior years - Note 14	-	139 023
Accumulated Impairment Losses recognised incorrectly in prior years - Note 14	-	(139 199)
Restated Balance	-	<u>116 238</u>
Correction of prior years' differences between Asset Register and General Ledger accounts.		
39.6 Long-Term Receivables		
Balance previously reported	-	216 272
Redemption of loan recognised incorrectly in prior years - Note 15	-	(10 996)
Restated Balance	-	<u>205 276</u>
Redemption of loan not recognised in prior year.		
39.7 Inventory		
Balance previously reported	-	33 787
Correction of differences identified during stock count in 2012/2013 - Note 16	-	20
Correction of stock issued during 2012/2013 - Note 16	-	61 500
Restated Balance	-	<u>95 308</u>
Correction of Inventory write-offs in prior year.		
39.8 Receivables from Exchange Transactions		
Balance previously reported	-	1 395 260
Correction of Debtors: Electricity Accounts - Note 17	-	11 429
Correction of Debtors: Water Accounts - Note 17	-	(3 421)
Correction of Debtors: Housing Accounts - Note 17	-	(270)
Correction of Debtors: Refuse Accounts - Note 17	-	(3 416)
Correction of Debtors: Sewerage Accounts - Note 17	-	(2 798)
Correction of Debtors: Other Arrears Accounts - Note 17	-	365 996
Restated Balance	-	<u>1 762 780</u>
Correction of Consumer accounts.		
39.9 Receivables from Non-Exchange Transactions		
Balance previously reported	-	611 640
Correction of Debtors: Rates Accounts - Note 18	-	(85 475)
Restated Balance	-	<u>546 365</u>
Correction of Consumer accounts.		
39.10 Cash and Cash Equivalents		
Balance previously reported	-	10 397 550
Cash Floats recognised incorrectly in prior years - Note	-	(100)
Restated Balance	-	<u>10 397 450</u>
Correction of Cash Floats.		

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
39.11 Accumulated Surplus/(Deficit) - 1 July 2012		
Election Deposits recognised as Other Income - Note 39.1	-	4 032
Tender Deposits recognised as Other Income - Note 39.1	-	2 800
Community Assets recognised incorrectly in prior years - Note 39.3	-	109
Infrastructure Assets recognised incorrectly in prior years - Note 39.3	-	886 003
Land and Buildings recognised incorrectly in prior years - Note 39.3	-	2 449 268
Lease Assets recognised incorrectly in prior years - Note 39.3	-	(278 221)
Other Assets recognised incorrectly in prior years - Note 39.3	-	282 113
Community Assets - Accumulated Depreciation recognised incorrectly in prior years - Note 39.3	-	(6 883)
Housing Rental Stock Assets - Accumulated Depreciation recognised incorrectly in prior years - Note 39.3	-	(0)
Infrastructure Assets - Accumulated Depreciation recognised incorrectly in prior years - Note 39.3	-	(99 100)
Infrastructure Assets - Accumulated Impairment Losses recognised incorrectly in prior years - Note 39.3	-	(28 779)
Land and Buildings - Accumulated Depreciation recognised incorrectly in prior years - Note 39.3	-	2 925
Lease Assets - Accumulated Depreciation recognised incorrectly in prior years - Note 39.3	-	(425 886)
Other Assets - Accumulated Depreciation recognised incorrectly in prior years - Note 39.3	-	2 887 574
Other Assets - Accumulated Impairment Losses recognised incorrectly in prior years - Note 39.3	-	(2 243 628)
Investment Properties recognised incorrectly in prior years - Note 39.4	-	(2 435 685)
Investment Properties - Accumulated Depreciation recognised incorrectly in prior years - Note 39.4	-	183 660
Investment Properties - Accumulated Impairment Losses recognised incorrectly in prior years - Note 39.4	-	(196 981)
Intangible Assets recognised incorrectly in prior years - Note 39.5	-	(4 238)
Intangible Assets - Accumulated Amortisation recognised incorrectly in prior years - Note 39.5	-	139 023
Intangible Assets - Accumulated Impairment Losses recognised incorrectly in prior years - Note 39.5	-	(139 199)
Land not previously recognised - Note 39.3	-	1 705 800
Correction of Unidentified Deposits - Note 39.1	-	(400)
Impairment of Land not recognised in prior years - Note 39.3	-	(1 057 200)
Correction of VAT Control Account - Note 39.2	-	(751 451)
Cash Floats recognised incorrectly in prior years - Note 39.10	-	(100)
Total	-	855 685

39.12 Changes to Statement of Financial Performance

Movement on operating account as a result of GRAP standards not implemented in prior years:

	Note	Balance previously reported	Adjustments	Restated Balance
Revenue				
Property taxes	39.9	7 166 981	(65 475)	7 101 506
Government Grants and Subsidies		37 565 593	-	37 565 593
Public Contributions and Donations		8 520	-	8 520
Contributed Property, Plant and Equipment		-	-	-
Fines		25 260	-	25 260
Third Party Payments		-	-	-
Actuarial Gains		145 856	-	145 856
Other Revenue from non-exchange transactions		-	-	-
Property Rates - penalties imposed and collection charges		634 006	-	634 006
Service Charges	39.8	16 764 123	1 524	16 765 647
Water Services Authority Contribution		-	-	-
Rental of Facilities and Equipment		1 545 194	-	1 545 194
Interest Earned - external investments		652 812	-	652 812
Interest Earned - outstanding receivables		1 604 289	-	1 604 289
Licences and Permits		108 900	-	108 900
Income for Agency Services	39.1	370 554	(1 703)	368 851
Other Income	39.8	2 226 756	361 244	2 588 000
Unamortised Discount - Interest		-	-	-
Total		68 818 845	295 590	69 114 435

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Note	Balance previously reported	Adjustments	Restated Balance
Expenditure				
Employee related costs	39.1	(15 634 686)	(44 043)	(15 678 708)
Remuneration of Councillors		(1 980 882)	-	(1 980 882)
Debt Impairment		(5 566 092)	-	(5 566 092)
Collection Costs		-	-	-
Depreciation and Amortisation	39.3	(4 421 272)	(351)	(4 421 622)
Repairs and Maintenance	39.7	(1 310 452)	61 520	(1 248 932)
Unamortised Discount - Interest		(103 499)	-	(103 499)
Actuarial Losses		(54 452)	-	(54 452)
Finance Costs		(1 041 492)	-	(1 041 492)
Bulk Purchases		(8 294 689)	-	(8 294 689)
Contracted Services		(514 336)	-	(514 336)
Grants and Subsidies Paid		-	-	-
Other Operating Grant Expenditure		(13 435 331)	-	(13 435 331)
General Expenses	39.1	(7 523 128)	(35 297)	(7 558 425)
Total		(59 880 290)	(18 170)	(59 898 460)
Net Surplus/(Deficit) for the year		8 938 555	277 420	9 215 974

40. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

Surplus/(Deficit) for the year		(597 487)	9 215 974
Adjustments for:			
Depreciation and amortisation		4 529 357	4 421 622
Loss/(Gain) on disposal of property, plant and equipment		(109 363)	-
Impairment Loss/(Reversal of Impairment Loss)		-	708 205
Government Grants and Subsidies received		32 031 397	30 158 384
Government Grants and Subsidies recognised as revenue		(32 694 690)	(37 565 593)
Contribution to provisions - Non-Current Provisions		381 429	336 420
Contribution from/to provisions - Current Employee Benefits		1 080 786	1 168 452
Contribution from/to provisions - Non-Current Employee Benefits		188 416	-
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses		20 478	91 938
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains		(6 156)	54 452
Contribution to provisions - Bad debt		5 974 298	(145 856)
Reversal of Provision for Bad debt		-	6 069 132
Bad debts written off		(1 419 485)	-
Unamortised Discounts - Interest Received		-	(136 695)
Unamortised Discounts - Interest Paid		60 333	-
Operating lease income accrued		2 987	103 499
Operating lease expenses accrued		-	2 717
Operating Surplus/(Deficit) before changes in working capital		9 422 280	14 480 632
Changes in working capital		(4 415 530)	(3 448 629)
Increase/(Decrease) in Consumer Deposits		57 048	48 341
Increase/(Decrease) in Trade and Other Payables		(1 811 489)	4 575 171
Increase/(Decrease) in Employee Benefits		(904 347)	(827 060)
Increase/(Decrease) in Taxes		2 138 889	(1 013 163)
(Increase)/Decrease in Inventory		(53 299)	(32 876)
(Increase)/Decrease in Trade Receivables from exchange transactions		(2 023 698)	(4 158 996)
(Increase)/Decrease in Other Receivables from non-exchange transactions		(1 818 634)	(2 038 045)
Cash generated/(absorbed) by operations		5 006 750	11 032 003

41. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Current Accounts - Note 20	269 988	1 039 289
Call Investments Deposits - Note 20	6 306 674	9 357 780
Cash Floats - Note 20	380	380
Total cash and cash equivalents	6 577 042	10 397 450

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R		
42. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES				
Cash and Cash Equivalents - Note 41	6 577 042	10 397 450		
<u>Less:</u>	<u>(3 512 850)</u>	<u>(3 143 480)</u>		
Unspent Committed Conditional Grants - Note 9	(2 879 143)	(2 450 908)		
VAT - Note 10	-	-		
Cash Portion of Housing Development Fund - Note 2	(633 707)	(692 572)		
Net cash resources available for internal distribution	3 064 192	7 253 969		
Allocated to:				
Capital Replacement Reserve	(1 003 233)	(1 103 661)		
Resources available for working capital requirements	2 060 959	6 150 309		
43. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-term Liabilities - Note 3	2 138 841	3 633 482		
Used to finance property, plant and equipment - at cost	(2 138 841)	(3 633 482)		
	-	-		
Cash set aside for the repayment of long-term liabilities	-	-		
Cash invested for repayment of long-term liabilities	-	-		
Long-term liabilities have been utilized in accordance with the Municipal Finance Management				
44. BUDGET COMPARISONS				
	2014 Actual R	2014 Final Budget R	2014 Variance R	2014 Variance %
44.1 Operational Budget by Standard Classification				
<u>Revenue - Standard</u>				
Governance and Administration				
Executive and council	509 907	450 829	59 078	13.10%
Budget and Treasury Office	9 580 887	8 881 527	699 360	7.87%
Corporate Services	17 770 915	19 039 877	(1 268 962)	-8.66%
Community and Public Safety				
Community and Social Services	1 458 379	54 233	1 404 146	2589.10%
Sport and Recreation	1 521 277	1 715 620	(194 343)	-11.33%
Public Safety	-	-	-	
Housing	8 975 110	8 133 893	841 217	10.34%
Health	(3 908)	-	(3 908)	100.00%
Economic and Environmental Services				
Planning and Development	121 334	-	121 334	100.00%
Road Transport	4 333 897	-	4 333 897	100.00%
Environmental Protection	-	-	-	
Trading Services				
Electricity	8 354 409	8 748 603	(394 194)	-4.51%
Water	6 163 930	13 291 760	(7 127 830)	-53.63%
Waste Water Management	3 966 665	10 649 842	(6 683 177)	-62.75%
Waste Management	2 441 053	2 695 205	(254 152)	-9.43%
Other	-	-	-	
Total Revenue	65 193 865	73 661 389	(8 467 534)	-11.50%

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 Actual R	2014 Budget R	2014 Variance R	2014 Variance %
<u>Expenditure - Standard</u>				
Governance and Administration				
Executive and council	(5 670 620)	(6 330 240)	659 620	-10.42%
Budget and Treasury Office	(7 696 354)	(3 078 827)	(4 617 527)	149.98%
Corporate Services	(14 018 437)	(15 155 072)	1 136 635	-7.50%
Community and Public Safety				
Community and Social Services	(1 438 228)	(1 549 074)	110 846	-7.16%
Sport and Recreation	(3 002 179)	(2 504 490)	(497 689)	19.87%
Public Safety	(217 247)	(46 010)	(171 237)	372.17%
Housing	(9 033 975)	(8 188 988)	(864 987)	10.59%
Health	(60 581)	(106 857)	46 276	-43.31%
Economic and Environmental Services				
Planning and Development	(307 173)	-	(307 173)	100.00%
Road Transport	(5 709 913)	(187 306)	(5 522 607)	2948.44%
Environmental Protection	-	-	-	-
Trading Services				
Electricity	(10 088 515)	(12 567 172)	2 478 657	-19.72%
Water	(4 657 363)	(12 526 624)	7 869 241	-82.82%
Waste Water Management	(2 111 151)	(15 303 583)	13 192 432	-86.20%
Waste Management	(1 779 586)	(1 396 914)	(382 672)	27.39%
Other	-	-	-	-
Total Expenditure	(65 791 342)	(78 921 157)	13 129 815	-16.64%
Surplus/(Deficit) for the year	(597 487)	(5 259 768)	4 662 281	-88.64%

Details of material variances

Refer to note 45 for explanations.

44.2 Capital Expenditure by Standard Classification

Governance and Administration				
Executive and council	-	-	-	-
Budget and Treasury Office	-	66 000	(66 000)	-100.00%
Corporate Services	622 701	15 000	607 701	4051.34%
Community and Public Safety				
Community and Social Services	-	-	-	-
Sport and Recreation	3 070	48 000	(44 930)	-93.60%
Public Safety	2 005	-	2 005	100.00%
Housing	-	-	-	-
Health	-	-	-	-
Economic and Environmental Services				
Planning and Development	181 635	181 000	635	0.35%
Road Transport	3 319 501	-	3 319 501	100.00%
Environmental Protection	-	-	-	-
Trading Services				
Electricity	1 372 417	1 108 265	264 152	23.83%
Water	612 832	(950 000)	1 562 832	-164.51%
Waste Water Management	441 256	186 100	255 156	137.11%
Waste Management	683 826	-	683 826	100.00%
Other	17 527	-	17 527	100.00%
Total Capital Expenditure	7 256 770	654 366	6 602 405	1008.98%

Details of material variances

Refer to note 45 for explanations.

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 Actual R	2014 Budget R	2014 Variance R	2014 Variance %
44.3 Operational Budget by Municipal Vote				
<u>Revenue - Vote</u>				
Executive and Council	509 907	450 829	59 078	13.10%
Council General Expenses	431 956	417 820	14 136	3.38%
Municipal Manager	77 951	33 009	44 942	138.15%
Administration: Corporate	19 257 186	18 700 305	556 881	2.98%
Administration	18 947 601	18 414 779	532 822	2.89%
Health Services	(3 908)	-	(3 908)	-100.00%
Library	(15 255)	2 040	(17 295)	-847.79%
Offices	328 748	283 486	45 262	15.97%
Administration: Community	9 374 894	8 481 110	893 784	10.54%
Properties	121 334	74 532	46 802	62.79%
Commonage	295 418	267 080	28 338	10.61%
Cemetery	5 342	5 605	(263)	-4.69%
Housing Scheme 4	-	-	-	-
Housing Scheme 5	8 975 110	8 133 893	841 217	10.34%
Fire Brigade	-	-	-	-
Workshop	(22 310)	-	(22 310)	-100.00%
Administration: Sport & Recreation	1 188 717	1 759 166	(570 449)	-32.43%
Beaches	-	-	-	-
Caravan Park	1 191 360	1 712 578	(521 218)	-30.43%
Community Gym	3 075	-	3 075	-100.00%
Museum	(3 812)	46 588	(50 400)	-108.18%
Recreational Park	(1 905)	-	(1 905)	-100.00%
Financial Services	9 580 887	8 881 527	699 360	7.87%
Administration	1 627 258	955 124	672 134	70.37%
Assessment Rates	7 953 628	7 926 403	27 225	0.34%
Infrastructure	25 282 265	35 388 452	(10 106 187)	-28.56%
Electricity Service	8 354 409	8 748 603	(394 194)	-4.51%
Refuse Removal	2 441 053	2 695 205	(254 152)	-9.43%
Roads & Storm water	4 356 208	8 217 682	(3 861 474)	-66.99%
Sewerage Service	3 966 665	2 432 180	1 534 505	63.09%
Sport Ground	-	3 042	(3 042)	-100.00%
Vehicle Testing	-	-	-	-
Water Service	6 163 930	13 291 760	(7 127 830)	-53.63%
Total Revenue	65 193 855	73 661 389	(8 467 534)	-11.50%

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 Actual R	2014 Budget R	2014 Variance R	2014 Variance %
<u>Expenditure - Vote</u>				
Executive and Council	(5 670 620)	(6 330 240)	659 620	-10.42%
Council General Expenses	(4 308 686)	(4 994 790)	686 104	-13.74%
Municipal Manager	(1 361 935)	(1 335 450)	(26 485)	1.98%
Administration: Corporate	(15 063 981)	(15 219 813)	155 832	-1.02%
Administration	(13 041 720)	(13 011 820)	(29 900)	0.23%
Health Services	(60 581)	(106 857)	46 276	-43.31%
Library	(1 364 900)	(1 363 393)	(1 507)	0.11%
Offices	(596 780)	(737 743)	140 963	-19.11%
Administration: Community	(10 374 399)	(9 646 557)	(727 842)	7.55%
Properties	(307 173)	(382 560)	75 387	-19.71%
Commonage	(18 047)	-	(18 047)	-100.00%
Cemetery	(24 448)	(26 050)	1 602	-6.15%
Housing Scheme 4	(49 277)	(24 385)	(24 892)	102.08%
Housing Scheme 5	(8 984 698)	(8 144 603)	(840 095)	10.31%
Fire Brigade	(46 099)	(46 010)	(89)	0.19%
Workshop	(944 657)	(1 022 949)	78 292	-7.65%
Administration: Sport & Recreation	(2 787 987)	(2 395 552)	(392 435)	16.38%
Beaches	(76 382)	(80 723)	4 341	-5.38%
Caravan Park	(2 076 617)	(2 109 082)	32 465	-1.54%
Community Gym	(157 224)	-	(157 224)	-100.00%
Museum	(30 833)	(159 631)	128 798	-80.69%
Recreational Park	(448 931)	(46 116)	(400 815)	869.15%
Financial Services	(7 696 354)	(3 078 827)	(4 617 527)	149.98%
Administration	(2 004 043)	(2 978 923)	974 880	-32.73%
Assessment Rates	(5 692 311)	(99 904)	(5 592 407)	5597.78%
Infrastructure	(24 198 001)	(42 250 168)	18 052 167	-42.73%
Electricity Service	(10 649 648)	(12 567 172)	1 917 524	-15.28%
Refuse Removal	(1 779 586)	(1 396 914)	(382 672)	27.39%
Roads & Storm water	(4 765 257)	(13 024 917)	8 259 660	-63.41%
Sewerage Service	(2 111 151)	(2 278 688)	167 515	-7.35%
Sport Ground	(63 828)	(268 569)	204 741	-76.23%
Vehicle Testing	(171 148)	(187 308)	16 158	-8.63%
Water Service	(4 657 383)	(12 526 624)	7 869 241	-62.82%
Total Expenditure	(65 791 342)	(78 921 157)	13 129 815	-16.64%
Surplus/(Deficit) for the year	(597 487)	(5 269 768)	4 662 281	-88.64%

Details of material variances

Refer to note 45 for explanations.

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 Actual R	2014 Budget R	2014 Variance R	2014 Variance %
44.4 Capital Expenditure by Municipal Vote				
Executive and Council	-	-	-	
Council General Expenses	-	-	-	
Municipal Manager	-	-	-	
Administration: Corporate	622 701	15 000	607 701	4051.34%
Administration	153 126	15 000	138 126	920.84%
Health Services	-	-	-	
Library	36 945	-	36 945	100.00%
Offices	432 630	-	432 630	100.00%
Administration: Community	183 640	181 000	2 640	1.46%
Properties	181 635	181 000	635	0.35%
Commonage	-	-	-	
Cemetery	-	-	-	
Housing Scheme 4	-	-	-	
Housing Scheme 5	-	-	-	
Fire Brigade	-	-	-	
Workshop	2 005	-	2 005	100.00%
Administration: Sport & Recreation	20 597	47 000	(26 403)	-56.18%
Beaches	-	-	-	
Caravan Park	17 527	44 000	(26 473)	-60.17%
Community Gym	-	-	-	
Museum	-	-	-	
Recreational Park	3 070	3 000	70	2.33%
Financial Services	-	66 000	(66 000)	-100.00%
Administration	-	66 000	(66 000)	-100.00%
Assessment Rates	-	-	-	
Infrastructure	6 429 832	672 000	5 757 832	856.82%
Electricity Service	1 372 417	554 000	818 417	147.73%
Refuse Removal	883 828	-	883 828	100.00%
Roads & Storm water	3 319 501	1 000	3 318 501	331850.10%
Sewerage Service	441 256	92 000	349 256	379.63%
Sport Ground	-	-	-	
Vehicle Testing	-	-	-	
Water Service	612 832	25 000	587 832	2351.33%
Total Capital Expenditure	7 266 770	981 000	6 275 770	639.73%

Details of material variances

Refer to note 45 for explanations.

45. BUDGET INFORMATION

45.1 Explanation of variances between approved and final budget amounts

The reasons for the variances between the approved and final budgets are mainly due to virements, and the negative effect of the abnormal high electricity and solid waste tariff increases on consumer debtors, the decrease in the capital expenditure, and the reprioritising of capital projects, with the corresponding changes to funding sources.

Explanation of variances greater than 5%: Final Budget and Actual Amounts

Statement of Financial Position

45.2.1 Current Assets

Cash

Increase in Cash and Cash Equivalents.

Call Investment Deposits

Increase due to cash portion of Unspent Grants on year-end.

Consumer Debtors

Decrease due to increase in debt impairment provision.

Other Debtors

Decrease due to decrease in suspense accounts.

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Current Portion of long-term receivables

Incorrect budgeting.

45.2.2 Non-Current Assets

Long-term receivables

Decrease due to repayment of outstanding loans.

Intangible Assets

Increase due to acquiring of Intangible Assets.

45.2.3 Current Liabilities

Borrowing

Decrease due to repayment of external loans.

Consumer Deposits

Incorrect budgeting.

Trade and Other Payables

Increase due to Unspent Grants on year-end.

Provisions

Incorrect budgeting.

45.2.4 Non-Current Liabilities

Borrowing

Decrease due to repayment of external loans.

45.2.5 Net Assets

Reserves

Net result of all variances between actual and budget amounts.

Statement of Financial Performance

45.2.6 Revenue

Property Rates - Penalties & Collection Charges

Decrease due to better repayment of rates accounts by consumers.

Service Charges - Electricity Revenue

Actual electricity consumption are less than budgeted.

Service Charges - Water Revenue

Actual water consumption are less than budgeted.

Service Charges - Sanitation Revenue

Actual consumption are less than budgeted.

Service Charges - Other Revenue

Increase in availability fees.

Fines

Decrease in fines received from Provincial Traffic.

Licences and Permits

Increase in licences issued.

Agency Services

Increase in licences issued.

Transfers Recognised - Operational

Budget document completed incorrectly.

Other Revenue

Decrease in sundry income

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Gains on Disposal of PPE

Obsolete stock sold.

Transfers Recognised - Capital

Budget document completed incorrectly.

45.2.7 Expenditure

Debt Impairment

Increase in debt impairment due to non-payment by consumers.

Depreciation and Asset Impairment

Incorrect budgeting due to asset register problems.

Finance Charges

Increase in provision for rehabilitation of landfill-site not included in budget.

Contracted Services

Additional services required from service providers.

Transfers and Grants

General Expenditure included under Transfers and Grants.

Other Expenditure

Operating grant expenditure included under Transfers and Grants.

Cash Flow Statement

45.2.8 Net Cash from Operating Activities

Ratepayers and other

Incorrect completion of budget document.

Government - Operating

Incorrect completion of budget document.

Government - Capital

Incorrect completion of budget document.

Interest

Incorrect completion of budget document.

Suppliers and Employees

Incorrect completion of budget document.

Finance Charges

Incorrect completion of budget document.

Transfers and Grants

Incorrect completion of budget document.

45.2.9 Net Cash from Investing Activities

Proceeds on disposal of PPE

Incorrect completion of budget document.

Decrease/(Increase) in Other Non-Current Receivables

Incorrect completion of budget document.

Capital Assets

Incorrect completion of budget document.

45.2.10 Net Cash from Financing Activities

Repayment of Borrowing

Incorrect completion of budget document.

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
46. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
46.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	21 083 426	14 406 899
Unauthorised expenditure current year - operational	5 581 972	2 219 133
Unauthorised expenditure current year - capital	6 368 173	4 457 394
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	33 033 570	21 083 426

Unauthorised expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Over expenditure of approved operating budget - 2011	None	8 326 343	8 326 343
Over expenditure of approved capital budget - 2011	None	5 601 856	5 601 856
Over expenditure of approved operating budget - 2012	None	48 113	48 113
Over expenditure of approved capital budget - 2012	None	430 587	430 587
Over expenditure of approved operating budget - 2013	None	2 219 133	2 219 133
Over expenditure of approved capital budget - 2013	None	4 457 394	4 457 394
Over expenditure of approved operating budget - 2014	None	5 581 972	-
Over expenditure of approved capital budget - 2014	None	6 368 173	-
		33 033 570	21 083 426

46.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:		
Opening balance	14 017	115
Fruitless and wasteful expenditure current year	6 331	13 902
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	20 348	14 017

Fruitless and wasteful expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Interest and Penalties Paid to SARS on late payment of employee tax - R115	None	115	115
Interest Paid to Eskom - R13 902	None	13 902	13 902
Interest Paid to Creditors - R6 331	None	6 331	-
		20 348	14 017

46.3 Irregular expenditure

Reconciliation of irregular expenditure:		
Opening balance	32 298 976	22 544 850
Irregular expenditure current year	-	9 754 126
Expenditure authorised i.l.o. Section 32 of MFMA	-	-
Condonement supported by council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting further action	32 298 976	32 298 976
Irregular expenditure awaiting condonement from National Treasury	43 338 403	43 338 403

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Irregular expenditure can be summarised as follow:		
Incident		Disciplinary steps/criminal proceedings
Non compliance with Supply Chain Management Policy - Three written quotations not obtained and incomplete registration forms		To be investigated
	16 460 016	16 460 016
Non compliance of tenders with Supply Chain Management Policy		To be investigated
	24 880 494	24 880 494
Non compliance with Supply Chain Management Policy - Supplier in service of state		To be investigated
	506 874	506 874
Non compliance with Supply Chain Management Policy - Contracts awarded not published on website		To be investigated
	1 487 349	1 487 349
Non compliance with Supply Chain Management Policy - Deviation not reported to council		To be investigated
	3 670	3 670
	43 338 403	43 338 403

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

47. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

47.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)

Opening balance	-	-
Council subscriptions	454 000	404 000
Amount paid - current year	(454 000)	(404 000)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

47.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	410 042	
Current year audit fee	2 221 759	1 663 713
Amount paid - current year	(622 378)	(1 253 871)
Amount paid - previous year	(410 042)	-
Balance unpaid (included in creditors)	1 699 382	410 042

47.3 VAT - [MFMA 125 (1)(c)]

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year. The net of VAT Input Payables and VAT Output Receivables are shown in Note 10.

47.4 PAYE and UIF - [MFMA 125 (1)(c)]

Opening balance	99 429	93 550
Current year payroll deductions	1 630 461	1 579 214
Amount paid - current year	(1 630 461)	(1 479 785)
Amount paid - previous year	(99 429)	(93 550)
Balance unpaid (included in creditors)	-	99 429

47.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]

Opening balance	161 726	151 309
Current year payroll deductions and Council Contributions	3 724 618	3 386 112
Amount paid - current year	(3 719 387)	(3 224 386)
Amount paid - previous year	(161 726)	(151 309)
Balance unpaid (included in creditors)	5 231	161 726

47.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]

None of the councillors had arrear accounts for more than 90 days on 30 June 2014.

None of the Councillors had arrear accounts outstanding for more than 90 days during the year.

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

**47.7 Disclosures in terms of the Municipal Supply Chain Management Regulations -
Promulgated by Government Gazette 27636 dated 30 May 2005**

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b)

	Amount	Single Supplier	Type of Deviation		
			Impossible	Impractical	Emergency
July	13 745	-	-	3	-
August	107 922	-	-	6	1
September	59 914	-	-	3	-
October	164 760	2	-	7	-
November	92 310	3	-	3	-
December	616 154	23	1	34	1
January	126 896	-	-	4	1
February	62 472	-	-	3	-
March	121 882	-	-	3	1
April	121 784	-	-	5	-
May	160 569	-	-	7	-
June	-	-	-	-	-
	1 648 409	28	1	75	4

47.8 Material losses

Electricity distribution losses

Units purchased (Kwh)	9 562 799	9 290 606
Units lost during distribution (Kwh)	546 914	2 878 093
Percentage lost during distribution	5.72%	30.98%
Distribution loss (Rand Value)	227 407	1 857 521

Water distribution losses

Units purchased (ml)	438 390	421 640
Units lost during distribution (ml)	64 306	14 798
Percentage lost during distribution	14.67%	3.51%
Distribution loss (Rand Value)	176 842	118 680

48. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

	10 131 746	4 297 937
Infrastructure	10 106 998	4 297 937
Community	24 749	-
Other	-	-
Total	10 131 746	4 297 937

This expenditure will be financed from:

External Loans	-	-
Capital Replacement Reserve	-	-
Government Grants	10 131 746	4 297 937
Own Resources	-	-
District Council Grants	-	-
Total	10 131 746	4 297 937

49. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

	2014 R	2013 R
1% (2013: 1%) Increase in interest rates	44 378	67 638
1% (2013: 1%) Decrease in interest rates	(44 378)	(67 638)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 17 and 18 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

	2014 %	2014 R	2013 %	2013 R
Non-exchange Receivables				
Rates	100.00%	11 934 927	100.00%	10 035 612
Exchange Receivables				
Electricity	6.09%	2 130 950	5.85%	1 906 706
Water	30.88%	10 806 862	30.86%	10 062 684
Housing Rentals	0.64%	223 175	0.65%	212 222
Refuse	22.64%	7 922 764	22.26%	7 257 567
Sewerage	19.51%	6 826 622	18.88%	6 154 906
Other	20.25%	7 086 528	21.50%	7 011 599
	100.00%	34 996 902	100.00%	32 605 684

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 17 and 18 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2014 %	2014 R	2013 %	2013 R
Non-exchange Receivables				
Rates	25.95%	11 780 193	23.57%	9 626 619
Exchange Receivables				
Services	74.05%	33 611 665	76.43%	31 210 426
	100.00%	45 391 858	100.00%	40 837 046

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Exchange Receivables	Non- exchange Receivables
<u>Ageing of amounts past due but not impaired are as follow:</u>		
2014		
1 month past due	-	50 271
2+ months past due	-	-
	<u>-</u>	<u>50 271</u>
2013		
1 month past due	515 291	98 298
2+ months past due	-	180 586
	<u>515 291</u>	<u>278 884</u>

Bad debts written-off per receivable class:

	2014 %	2014 R	2013 %	2013 R
<u>Non-exchange Receivables</u>				
Rates	0.11%	51 261	0.08%	32 119
<u>Exchange Receivables</u>				
Services	3.01%	1 368 224	0.26%	104 576
	<u>3.13%</u>	<u>1 419 485</u>	<u>0.33%</u>	<u>136 695</u>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where

	2014 R	2013 R
Financial assets exposed to credit risk at year end are as follows:		
Long-term Receivables	-	-
Receivables from exchange transactions	34 996 902	32 973 204
Cash and Cash Equivalents	6 578 682	10 397 070
	<u>41 573 564</u>	<u>43 370 274</u>

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
(f) Concessionary Loans		
Financial Institution:	DBSA	DBSA
Loan number:	102 502	102 502
Interest Rate:	5.00%	5.00%
Redeemable Date:	31/03/2014	31/03/2014
Outstanding Balance:	-	253 909
Nominal Value:	-	244 468

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2014				
Long-term Liabilities	1 323 464	1 085 359	-	-
Provision for Rehabilitation of Landfill-sites	6 385 249	1 675 981	1 358 159	
Trade and Other Payables	6 001 241	-	-	-
	<u>13 709 955</u>	<u>2 761 340</u>	<u>1 358 159</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2013				
Long-term Liabilities	1 556 768	2 399 451	-	-
Provision for Rehabilitation of Landfill-sites	5 943 427	1 560 013	2 246 012	-
Trade and Other Payables	7 812 731	-	-	-
	<u>15 312 926</u>	<u>3 959 464</u>	<u>2 246 012</u>	<u>-</u>

		2014 R	2013 R
64. FINANCIAL INSTRUMENTS			
In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:			
64.1 Financial Assets	Classification		
Long-term Receivables			
Housing Loans	Financial Instruments at amortised cost	205 333	225 785
Receivables from Exchange Transactions			
Electricity	Financial Instruments at amortised cost	2 130 950	1 906 706
Water	Financial Instruments at amortised cost	10 806 862	10 062 684
Housing Rentals	Financial Instruments at amortised cost	223 175	212 222
Refuse	Financial Instruments at amortised cost	7 922 764	7 257 567
Sewerage	Financial Instruments at amortised cost	6 826 622	6 154 906
Other Arrears	Financial Instruments at amortised cost	7 086 528	7 011 599
Cash and Cash Equivalents			
Bank Balances	Financial Instruments at amortised cost	269 988	1 039 289
Call Deposits	Financial Instruments at amortised cost	6 306 674	9 357 780
Total Financial Assets		<u>41 778 897</u>	<u>43 228 539</u>

SUMMARY OF FINANCIAL ASSETS

Financial Instruments at amortised cost:

Long-term Receivables	Housing Loans	205 333	225 785
Receivables from Exchange Transactions	Electricity	2 130 950	1 906 706
Receivables from Exchange Transactions	Water	10 806 862	10 062 684
Receivables from Exchange Transactions	Housing Rentals	223 175	212 222
Receivables from Exchange Transactions	Refuse	7 922 764	7 257 567
Receivables from Exchange Transactions	Sewerage	6 826 622	6 154 906
Receivables from Exchange Transactions	Other Arrears	7 086 528	7 011 599
Cash and Cash Equivalents	Bank Balances	269 988	1 039 289
Cash and Cash Equivalents	Call Deposits	6 306 674	9 357 780
		<u>41 778 897</u>	<u>43 228 539</u>
Total Financial Assets		<u>41 778 897</u>	<u>43 228 539</u>

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
64.2	Financial Liabilities		
	Classification		
	Long-term Liabilities		
	Annuity Loans	1 041 149	1 907 602
	Capitalised Lease Liability	1 097 692	1 725 880
	Trade and Other Payables		
	Trade Creditors	4 680 049	6 062 006
	Payments received in advance	442 488	281 186
	Retentions	605 735	1 020 081
	Sundry Deposits	5 231	149 879
	Other Creditors	267 738	231 314
		8 140 083	11 377 946

SUMMARY OF FINANCIAL LIABILITIES

Financial Instruments at amortised cost:

Long-term Liabilities	Annuity Loans	1 041 149	1 907 602
Long-term Liabilities	Capitalised Lease Liability	1 097 692	1 725 880
Trade and Other Payables	Trade Creditors	4 680 049	6 062 006
Trade and Other Payables	Payments received in advance	442 488	281 186
Trade and Other Payables	Retentions	605 735	1 020 081
Trade and Other Payables	Sundry Deposits	5 231	149 879
Trade and Other Payables	Other Creditors	267 738	231 314
Cash and Cash Equivalents	Bank Overdraft	-	-
Total Financial Liabilities		8 140 083	11 377 946

65. EVENTS AFTER THE REPORTING DATE

The Municipality is not aware of any events after the reporting date.

66. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

67. PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

68. CONTINGENT LIABILITY

The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:

Sightfull 1235 CC	12 581 065	12 581 065
N7 Tata Werkswinkel CC	29 128	29 128
Port Lobster	25 000	-
	12 635 193	12 610 193

The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereby all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive back pay for 9 months once a Final Outcome Report is received, as per clause 7.2.6 of the Collective Agreement. Till date, no Final Outcome Report has been received.

69. RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

69.1 Related Party Transactions

	Rates	Service Charges	Other	Outstanding Balance
Year ended 30 June 2014				
Councillors				
AM Jansen	9 972	25 520	-	(266)
LR Ambrosini	3 329	15 726	-	2 146
G Beukes	584	3 029	-	-
CF Richter	8 052	8 660	-	(270)
E Hausiku	468	2 302	-	-
T Swartbooi	509	2 116	-	-
R Jonker	3 866	5 486	-	693
	26 890	62 839	-	2 302

RICHTERSVELD MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Rates	Service Charges	Other	Outstanding Balance
Municipal Manager and Section 57 Employees				
DA Farmer	519	12 873	-	(3 346)
E Cloete	-	19 197	-	-
H Cloete	287	5 994	-	(213)
S Adams	-	6 932	-	368
IG Valentein	-	6 109	-	(91)
	906	51 104	-	(3 283)

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

69.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

69.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 29 to the Annual Financial Statements.

69.4 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

<u>Councillor/Staff Member</u>	<u>Entity</u>	2014 R	2013 R
M Losper	EC Losper	245 885	40 209
L Cloete	MC Cloete	17 000	27 510
L Phillips	D Forbes	11 810	25 580
		274 695	93 279

70. FINANCIAL SUSTAINABILITY

Management is of the opinion that the municipality will continue to operate as a going concern and perform its functions as set out in the Constitution.

12. PROPERTY, PLANT AND EQUIPMENT

12.1 30 JUNE 2014

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Housing R	Total R
Carrying value at 1 July 2013	39 961 433	56 540 229	10 706 773	1 632 714	3 548 331	271 476	112 660 955
Cost	46 433 374	97 944 807	15 509 576	2 691 517	9 219 936	583 200	172 382 411
Original Cost	46 433 374	97 944 807	15 509 576	2 691 517	9 219 936	583 200	172 382 411
Accumulated Depreciation and Impairment Losses	(6 471 940)	(41 404 578)	(4 802 804)	(1 058 803)	(5 671 606)	(311 724)	(59 721 456)
Original Cost	(6 471 940)	(41 404 578)	(4 802 804)	(1 058 803)	(5 671 606)	(311 724)	(59 721 456)
Acquisitions	334 886	893 953	-	-	168 064	-	1 396 902
Capital under Construction	-	5 475 498	-	-	-	-	5 475 498
Depreciation	(209 209)	(2 679 504)	(576 709)	(355 261)	(621 482)	(6 432)	(4 448 596)
Normal Depreciation	(209 209)	(2 679 504)	(576 709)	(355 261)	(621 482)	(6 432)	(4 448 596)
Backlog Depreciation previously not recorded	-	-	-	-	-	-	-
Carrying value of disposals	-	313 364	-	-	(38 760)	-	274 604
Cost	-	-	-	-	(6 209)	-	(6 209)
Accumulated Depreciation	-	313 364	-	-	(32 550)	-	280 813
Carrying value at 30 June 2014	40 087 110	60 543 540	10 130 063	1 277 453	3 056 153	265 044	115 359 363
Cost	46 768 259	104 314 258	15 509 576	2 691 517	9 381 790	583 200	179 248 601
Original Cost	46 768 259	104 314 258	15 509 576	2 691 517	9 381 790	583 200	179 248 601
Accumulated Depreciation and Impairment Losses	(6 681 149)	(43 770 718)	(5 379 513)	(1 414 064)	(6 325 638)	(318 156)	(63 889 238)
Original Cost	(6 681 149)	(43 770 718)	(5 379 513)	(1 414 064)	(6 325 638)	(318 156)	(63 889 238)

Reconciliation of Carrying Value		Land and Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Housing R	Total R
Carrying value at 1 July 2012		40 688 554	44 897 166	9 996 905	1 603 927	4 475 470	278 486	101 940 509
Cost		46 433 374	84 059 314	14 179 246	2 616 663	9 199 250	583 200	157 071 047
Original Cost		42 278 306	83 173 312	14 179 137	2 894 884	8 917 137	583 200	152 025 975
Correction of Error - Note 39.3		4 155 068	886 003	109	(278 221)	282 113	-	5 045 072
Accumulated Depreciation and Impairment Losses		(5 744 820)	(39 162 148)	(4 182 340)	(1 012 736)	(4 723 780)	(304 714)	(55 130 538)
Original Cost		(4 690 545)	(39 034 268)	(4 175 458)	(586 869)	(5 347 725)	(304 714)	(54 139 579)
Correction of Error - Note 39.3		(1 054 275)	(127 880)	(6 883)	(425 866)	623 945	(0)	(990 958)
Acquisitions		-	1 195 052	1 330 331	74 854	433 837	-	3 034 073
Capital under Construction		-	12 690 441	-	-	-	-	12 690 441
Depreciation		(228 877)	(2 242 430)	(620 463)	(46 068)	(1 207 821)	(7 010)	(4 352 669)
Normal Depreciation		(228 877)	(2 242 430)	(620 463)	(46 068)	(1 207 470)	(7 010)	(4 312 318)
Correction of Error - Note 39.3		-	-	-	-	(351)	-	(351)
Impairment losses		(498 244)	(355)	-	-	(153 155)	-	(651 755)
Cost		-	-	-	-	(413 150)	-	(413 150)
Accumulated Depreciation		(498 244)	-	-	-	259 995	-	(238 249)
Change in Provision for Rehabilitation Cost - IGRAP 2		-	(355)	-	-	-	-	(355)
Carrying value at 30 June 2013		39 961 433	56 539 873	10 706 773	1 632 714	3 548 331	271 476	112 660 600
Cost		46 433 374	97 944 807	15 509 576	2 691 517	9 219 936	583 200	172 382 411
Original Cost		46 433 374	97 944 807	15 509 576	2 691 517	9 219 936	583 200	172 382 411
Accumulated Depreciation and Impairment Losses		(6 471 940)	(41 404 578)	(4 802 804)	(1 058 803)	(5 671 606)	(311 724)	(59 721 456)
Original Cost		(6 471 940)	(41 404 578)	(4 802 804)	(1 058 803)	(5 671 606)	(311 724)	(59 721 456)

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APPENDIX A
RICHTERSVELD MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2013	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2014
ANNUITY LOANS								
DBSA	10.00%	101910	31/12/2015	1 653 694	-	-	(612 545)	1 041 149
DBSA	5.00%	102502	31/03/2014	253 908	-	-	(253 908)	-
Total Annuity Loans				1 907 602	-	-	(866 453)	1 041 149
LEASE LIABILITY								
Office Equipment		Various	30/04/2017	269 751	-	-	(84 795)	184 956
Vehicles		Various	31/03/2017	1 407 791	-	-	(505 158)	902 633
Data Contracts		Various	30/09/2014	48 338	-	-	(38 234)	10 104
Total Lease Liabilities				1 725 880	-	-	(628 188)	1 097 692
TOTAL EXTERNAL LOANS				3 633 482	-	-	(1 494 640)	2 138 841

APPENDIX B
RICHTERSVELD MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R		2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R
5 647 287	(6 158 078)	(510 790)	Executive & Council	509 907	(5 670 620)	(5 160 713)
11 239 645	(8 915 925)	2 323 720	Budget & Treasury Office	9 580 887	(7 696 354)	1 884 533
26 341 067	(9 440 604)	16 900 463	Corporate Services	17 770 915	(14 018 437)	3 752 479
3 979	(375 592)	(371 613)	Planning & Development	121 334	(307 173)	(185 839)
44 862	(61 051)	(16 188)	Health	(3 908)	(60 581)	(64 489)
1 603 909	(1 402 644)	201 265	Community & Social Services	1 458 379	(1 438 228)	20 151
13 674	(36 766)	(23 092)	Housing	8 975 110	(9 033 975)	(58 865)
91 241	(214 248)	(123 007)	Public Safety	-	(217 247)	(217 247)
2 413 565	(2 963 014)	(549 450)	Sport and Recreation	1 521 277	(3 002 179)	(1 480 902)
-	-	-	Environmental Protection	-	-	-
2 258 348	(1 619 789)	638 559	Waste Management	2 441 053	(1 779 586)	661 467
2 212 158	(1 603 561)	608 597	Waste Water Management	3 966 665	(2 111 151)	1 855 514
2 660 272	(10 941 871)	(8 281 599)	Road Transport	4 333 897	(5 709 913)	(1 376 016)
5 677 987	(5 068 567)	609 420	Water	6 163 930	(4 657 383)	1 506 547
8 760 586	(10 950 896)	(2 190 311)	Electricity	8 354 409	(10 088 515)	(1 734 106)
68 968 579	(59 752 604)	9 215 975	Sub Total	65 193 855	(65 791 342)	(597 487)
-	-	-	Less Inter-Departmental Charges	-	-	-
68 968 579	(59 752 604)	9 215 975	Total	65 193 855	(65 791 342)	(597 487)

APPENDIX C
RICHTERSVELD MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014
MUNICIPAL VOTES CLASSIFICATIONS

2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R		2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R
4 937 826	(4 680 520)	257 306	Executive and Council			
709 461	(1 477 557)	(768 096)	Council General Expenses	431 956	(4 308 686)	(3 876 730)
			Municipal Manager	77 951	(1 361 935)	(1 283 984)
			Administration: Corporate			
27 679 170	(9 440 604)	18 238 566	Administration	18 947 601	(13 041 720)	5 905 881
44 862	(61 051)	(16 188)	Health Services	(3 908)	(60 581)	(64 489)
(10 168)	(1 319 972)	(1 330 139)	Library	(15 255)	(1 364 900)	(1 380 155)
1 388 644	(713 008)	675 636	Offices	328 748	(596 780)	(268 033)
			Administration: Community			
3 979	(375 592)	(371 613)	Properties	121 334	(307 173)	(185 839)
276 616	(39 429)	237 187	Commonage	295 418	(18 047)	277 371
3 265	(18 432)	(15 147)	Cemetery	5 342	(24 448)	(19 106)
-	(18 405)	(18 405)	Housing Scheme 4	-	(49 277)	(49 277)
13 674	(18 361)	(4 687)	Housing Scheme 5	8 975 110	(8 984 698)	(9 588)
-	(46 464)	(46 464)	Fire Brigade	-	(46 099)	(46 099)
(22 730)	(983 890)	(1 006 621)	Workshop	(22 310)	(944 657)	(966 967)
			Administration: Sport & Recreation			
-	(83 193)	(83 193)	Beaches	-	(76 382)	(76 382)
1 026 722	(1 992 718)	(965 996)	Caravan Park	1 191 360	(2 076 617)	(885 257)
-	(148 491)	(148 491)	Community Gym	3 075	(157 224)	(154 149)
(3 929)	(24 811)	(28 740)	Museum	(3 812)	(30 833)	(34 645)
(1 801)	(16 448)	(18 249)	Recreational Park	(1 905)	(446 931)	(448 837)
			Financial Services			
4 071 420	(3 229 930)	841 490	Administration	1 627 258	(2 004 043)	(376 785)
7 168 225	(5 685 995)	1 482 230	Assessment Rates	7 953 628	(5 692 311)	2 261 317
			Infrastructure			
8 760 586	(10 950 896)	(2 190 311)	Electricity Service	8 354 409	(10 649 648)	(2 295 240)
2 258 348	(1 619 789)	638 559	Refuse Removal	2 441 053	(1 779 586)	661 467
2 683 002	(9 957 980)	(7 274 978)	Roads & Stormwater	4 356 208	(4 765 257)	(409 049)
2 212 158	(1 603 561)	608 597	Sewerage Service	3 966 665	(2 111 151)	1 855 514
-	(9 156)	(9 156)	Sport Ground	-	(63 828)	(63 828)
91 241	(167 784)	(76 543)	Vehicle Testing	-	(171 148)	(171 148)
5 677 987	(5 068 567)	609 420	Water Service	6 163 930	(4 657 383)	1 506 547
68 968 579	(59 752 604)	9 215 975	Sub Total	65 193 855	(65 791 342)	(597 487)
-	-	-	Less Inter-Departmental Charges	-	-	-
68 968 579	(59 752 604)	9 215 975	Total	65 193 855	(65 791 342)	(597 487)

APPENDIX D
RICHTERSVELD MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2013	Correction of Error	Restated Balance 30 June 2013	Contributions during the year	Interest on Investments	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2014	Unspent 30 June 2014 (Creditor)	Unpaid 30 June 2014 (Debtor)
National Government Grants											
Equitable Share	-	-	-	11 210 000	-	-	(11 210 000)	-	-	-	-
Finance Management Grant	-	-	-	1 650 000	-	-	(1 352 417)	(249 027)	48 556	48 556	-
Municipal System Improvement Grant	-	-	-	890 000	-	-	(498 551)	(19 188)	372 261	372 261	-
Municipal Infrastructure Grant	-	-	-	5 192 000	-	-	(1 374 628)	(4 908 899)	(1 091 527)	-	(1 091 527)
Integrated National Electrification Grant	118 078	-	118 078	-	-	-	(118 078)	-	-	-	-
Total National Government Grants	118 078	-	118 078	18 942 000	-	-	(14 553 673)	(5 177 114)	(670 709)	420 816	(1 091 527)
Provincial Government Grants											
Library	202 298	-	202 298	693 000	-	-	(712 686)	-	182 612	182 612	-
Accelerated Infrastructure Programme	-	-	-	403 232	-	-	-	(356 166)	47 067	47 067	-
CoGTA (Housing)	372 841	-	372 841	10 396 577	32 487	-	(8 960 315)	-	1 831 690	1 831 690	-
CoGTA (Flood Damage Kuboes)	185 263	-	185 263	-	-	-	(134 644)	-	50 619	50 619	-
CoGTA (MSP Watermeter)	4 587	-	4 587	-	-	-	(4 587)	-	-	-	-
CoGTA (Sizamile Vegetable)	1 583	-	1 583	-	-	-	(1 583)	-	-	-	-
CoGTA (Water Bulk Supply - Ntshani)	261 930	-	261 930	-	-	-	(261 930)	-	-	-	-
Harbour Grant	1 303 631	-	1 303 631	-	-	-	(1 303 631)	-	-	-	-
Expanded Public Works Programme	-	-	-	1 000 000	-	-	(654 360)	-	345 640	345 640	-
Total Provincial Government Grants	2 332 132	-	2 332 132	12 482 909	32 487	-	(12 033 736)	(356 166)	2 457 626	2 457 626	-
District Municipality											
Namakwa District Municipality	-	-	-	574 001	-	-	(574 001)	-	-	-	-
Total District Municipality Grants	-	-	-	574 001	-	-	(574 001)	-	-	-	-
Other Grant Providers											
De Beers	698	-	698	-	-	-	-	-	698	698	-
Total Other Grant Providers	698	-	698	-	-	-	-	-	698	698	-
Total Grants	2 450 908	-	2 450 908	31 998 910	32 487	-	(27 161 410)	(5 533 280)	1 787 615	2 879 142	(1 091 527)

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.